UNITED NATIONS JOINT STAFF PENSION FUND

REPORT
OF THE
UNITED NATIONS
JOINT STAFF PENSION BOARD

GENERAL ASSEMBLY

OFFICIAL RECORDS: FORTY-SIXTH SESSION

SUPPLEMENT No. 9 (A/46/9)

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ABBREVIATIONS

CCAQ	Consultative Committee on Administrative Questions
CCISUA	Coordinating Committee for Independent Staff Unions and Associations of the United Nations System
EPPO	European and Mediterranean Plant Protection Organization
FAFICS	Federation of Associations of Former International Civil Servants
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICCROM	International Centre for the Study of the Preservation and the Restoration of Cultural Property
ICITO/GATT	Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade
ICSC	International Civil Service Commission
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
IMO	International Maritime Organization
ITU	International Telecommunication Union
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. INTRODUCTION

1. The United Nations Joint Staff Pension Fund was established in 1949, by a resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that, since then, have been amended at various times.

2. The Fund is administered through the United Nations Joint Staff Pension Board, which consists of 33 members, representing the member organizations that are listed in annex XIII below. One third of the Board members are chosen by the General Assembly and the corresponding bodies of the other member organizations, one third by the executive heads and one third by the participants. The Board reports annually to the Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the Regulations which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled. Expenses incurred by the Board in the administration of the Fund - principally the cost of its central secretariat at United Nations Headquarters in New York and the expenses of managing its investments - are met by the Fund.

3. The present report is submitted by the Board following its two sessions this year: the forty-second session (special), held from 19 to 22 February 1991 at the headquarters of the Pan American Health Organization, the regional office of the World Health Organization (WHO), in Washington, D.C.; and the forty-third session, held from 16 to 25 July 1991 at the headquarters of the United Nations Educational, Scientific and Cultural Organization (UNESCO), in Paris. The members, alternate members and representatives accredited to those sessions and their attendance are listed in annex XIV.

4. The major items dealt with by the Board were: (a) the twenty-first actuarial valuation of the Fund as at 31 December 1990; (b) changes in the pension adjustment system, namely, the development of a long-term approach to the determination of initial local currency pensions, which the General Assembly had requested in its resolution 45/242 of 21 December 1990; (c) the comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories, undertaken by the International Civil Service Commission (ICSC), in full cooperation with the Board; (d) the review of the methodology for the determination of pensionable remuneration of ungraded officials, which the Assembly, in resolution 45/242, had requested ICSC to undertake, in full cooperation with the Board; (e) the administrative expenses of the Fund; and (f) the composition of the Board and the periodicity of its sessions.

5. The Board also examined, inter alia, the management of the investments of the Fund, the financial statements and schedules for the year ended 31 December 1990, the interest rate applicable to the lump-sum commutation of periodic benefits, and the actuarial implications of extending the maximum number of years of creditable contributory service.

6. The Board, in accordance with article 4 of the Regulations, appointed a Standing Committee to act on behalf of the Board when it is not in session. The membership of the Standing Committee is given in annex XV.

7. The membership of the Committee of Actuaries, established under article 9 of the Regulations, is given in annex XVI.

8. Section II below contains a summary of the operations of the Fund for the year ended 31 December 1990. Section III contains an account of matters considered by the Board, including recommendations for action by the General Assembly. A draft resolution to give effect to those recommendations is contained in annex XIX.

II. SUMMARY OF THE OPERATIONS OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 1990

9. During the year, the number of participants in the Fund increased from 56,222 to 58,263. On 31 December 1990, there were 30,901 periodic benefits in award: 10,397 retirement benefits, 5,347 early retirement benefits, 5,338 deferred retirement benefits, 4,029 widows' and widowers' benefits, 5,154 children's benefits, 585 disability benefits and 51 secondary dependants' benefits. In the course of the year, 3,757 lump-sum withdrawal and other settlements were paid. A breakdown by member organization of participants and of benefits awarded will be found in annex I below.

10. During the same period, the principal of the Fund increased from $7,579,591,411 to $8,478,108,817 (see annex II, statement I).

11. The investment income of the Fund during the year amounted to $832,456,181, comprising $553,587,499 in interest and dividends and $278,868,682 in net profit on sales of investments. After deduction of investment management costs amounting to $9,171,166, net investment income was $823,285,015. A summary of the investments as at 31 December 1990, and a comparison of their cost and market values, will be found in annex II, schedules 2 and 3.

III. MATTERS CONSIDERED BY THE BOARD, INCLUDING RECOMMENDATIONS TO THE GENERAL ASSEMBLY

A. Actuarial matters

1. Actuarial valuation of the Fund as at 31 December 1990

12. Article 12 of the Fund's Regulations provides that "the Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary". 1/ The primary purpose of the actuarial valuations is to determine whether the present and estimated future assets of the Fund will be sufficient to meet its liabilities. The practice of the Board has been to carry out a valuation every two years.

13. The Consulting Actuary submitted to the Board at its forty-third session the report on the twenty-first actuarial valuation of the Fund as at 31 December 1990. The Board also had before it the observations of the Committee of Actuaries, which had examined the valuation report prior to its submission to the Board.

Actuarial valuation bases

14. The valuation had been prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Board in June 1990 and in accordance with the Regulations and Administrative Rules of the Fund in effect on the valuation date. As in the past, it reflected a fully dynamic basis, which assumes inflation to continue indefinitely in the future, and included three different sets of economic assumptions regarding (a) the rate of increase in pensionable remuneration (in addition to increases arising from promotions and step increments), (b) the interest rate (or the expected rate of return on investments), and (c) the rate of cost-of-living increases of pensions after award. The real rates of return, that is, interest rate minus inflation, assumed for the three economic bases were 2, 3 and 4 per cent a year. The same sets of economic assumptions had been used in the twentieth valuation as at 31 December 1988. The 6.5/9/6 basis (that is, a rate of increase of pensionable remuneration of 6.5 per cent a year; a nominal rate of interest of 9 per cent a year; and cost-of-living increases of pensions in award of 6 per cent a year), corresponding to a 3 per cent real rate of return, was used in the "regular" valuation, as had also been done in the previous valuation.

15. As reported to the General Assembly at its forty-fifth session, 2/ the Board decided that valuations as at 31 December 1990 should be made using three growth assumptions for the number of participants in the future: (a) the assumptions used in the "regular" valuation as at 31 December 1988, namely, zero growth for all staff for the first five years, followed by 0.5 per cent growth for Professional and higher level staff and 1 per cent for General Service staff during the next 15 years, and zero growth thereafter for all staff - hereafter referred to as the "5-20-year participant growth assumptions"; (b) zero growth for the first three years, followed by growth for the next 17 years of 0.5 per cent for Professional staff and 1 per cent per year for General Service staff, with zero growth thereafter for all staff - hereafter referred to as the "3-20-year participant growth

assumptions"; and (c) 0.5 per cent and 1 per cent growth in the number of Professional and General Service participants, respectively, for the first 20 years and zero growth thereafter - hereafter referred to as the "20-year participant growth assumptions". The "3-20-year participant growth assumptions" were used in the "regular" valuation; these assumptions are similar to the "5-20-year participant growth assumptions" used in the "regular" valuation as at 31 December 1988.

16. Separate valuations as at 31 December 1990 were prepared on the three economic bases with the "3-20-year participant growth assumptions". A fourth valuation was prepared on the "regular" economic basis (6.5/9/6) with the "20-year participant growth assumptions". The results are summarized below:

	Contribution rate required (as a percentage of total pensionable remuneration)	
Valuation basis	Total required	Imbalance a/
3-20-year participant growth assumptions b/		
Economic assumptions		
6.5/8/6	27.77	4.07
6.5/9/6	24.27	0.57
6.5/10/6	20.71	(2.99)
20-year participant growth assumptions b/		
Economic assumptions		
6.5/9/6	24.17	0.47

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a/ Excess over a contribution rate of 23.7 per cent.

b/ The assumptions are described in paragraph 15 above.

17. The table below provides a comparison of the results of the twentieth and twenty-first valuations on the "regular" economic basis (6.5/9/6), using the three different assumptions for growth in the number of participants (see para. 15 above).

		Contribution rate required (as percentage of pensionable remuneration)		
Valuation date	Valuation basis	Total required	Fund rate	Excess over Fund rate (imbalance)
31 December 1990	6.5/9/6, with participant growth assumptions: a/			
	(i) 3-20-year (regular valuation)	24.27	23.7 b/	0.57
	(ii) 20-year	24.17	23.7 b/	0.47
31 December 1988	6.5/9/6, with 5-20-year participant growth assumptions a/ (regular valuation)	26.21	22.5 c/	3.71

---

a/ The assumptions are described in paragraph 15 above.

b/ Effective 1 January 1990.

c/ Effective 1 July 1989.

18. From the above table, it can be seen that the "regular" valuation as at 31 December 1990, which included the "3-20-year participant growth assumptions", showed a decrease of 1.94 per cent in the required contribution rate (from 26.21 per cent to 24.27 per cent). The imbalance rate decrease of 3.14 per cent (from 3.71 per cent to 0.57 per cent) reflected the additional impact of the 1.2 per cent increase in the contribution rate on 1 January 1990. The elements contributing to the decrease in the imbalance rate were as follows:

Elements	Increase (decrease) in imbalance (as per cent of pensionable remuneration)
(a) Interest on prior imbalance	.58
(b) Investment experience	(.75)
(c) Effect of change in normal retirement age	(.95)

	Elements	Increase (decrease) in imbalance (as per cent of pensionable remuneration)
(d)	Effect of change in age when cost-of-living increases apply to deferred pensions	(.91)
(e)	Net effect of changes in actuarial assumptions	.25
(f)	Net effect of changes in the value of United States dollar and pension adjustments	.31
(g)	Net effect of changes in the value of United States dollar and changes in scales of pensionable remuneration	.25
(h)	Effect of higher than expected number of new entrants	(.46)
(i)	Effect of demographics of future new entrants	(.14)
(j)	Miscellaneous	(.12)
	Subtotal	(1.94)
(k)	Change in Fund's contribution rate	(1.20)
	Change in imbalance	(3.14)

Analysis of changes in contribution requirements since 1980

19. There has been a total decrease of 6.25 per cent of pensionable remuneration in the required rate of contribution (and in the imbalance rate) over the period 31 December 1980 to 31 December 1990 (from 6.82 to 0.57 per cent of pensionable remuneration), with the following factors contributing to the change:

		Increase (decrease) in the imbalance over the period from 31 December 1980 to 31 December 1990 (as per cent of pensionable remuneration)
(a)	Change in demographic assumptions:	
(i)	Participant growth assumption	.84
(ii)	Other assumptions	1.30
(b)	Interest on imbalance	3.51
(c)	Experience variations	(2.54)
(d)	Economy measures:	
(i)	Borne by participants	(6.14)
(ii)	Borne by member organizations	(0.52)
(e)	Increases in the contribution rate:	
(i)	Borne by participants	(0.90)
(ii)	Borne by member organizations	(1.80)
	TOTAL	(6.25)

Comparative effect of alternative economic actuarial assumptions

20. As can be seen from the table in paragraph 16 above, two of the three valuations based on the "3-20-year participant growth assumptions" indicated that the current rate of contribution of 23.7 per cent of pensionable remuneration may not be sufficient in the long run to meet the obligations of the Fund. The rate needed to attain an actuarial balance between the prospective assets and liabilities of the Fund varies from 27.77 per cent of pensionable remuneration, assuming a 2 per cent real rate of return (6.5/8/6 basis), to 24.27 per cent assuming a 3 per cent real rate of return (6.5/9/6 basis), and to 20.71 per cent assuming a 4 per cent real rate of return (6.5/10/6 basis). In reviewing these results, the Committee of Actuaries indicated that the use of straight-line interpolations would be appropriate to estimate the results for other real rates of return, such as 2.5 or 3.5 per cent.

21. The 6.5/9/6 economic assumptions have been used in all the "regular" valuations since 1980, i.e., a real rate of return of approximately 3 per cent. It can be anticipated that investment earnings and inflation rates will change each year, resulting in real rates of return both above and below the 3 per cent actuarial assumption in particular years. Considering the long-term nature of the economic assumptions, the Consulting Actuary and

the Committee of Actuaries reaffirmed their view that the use of a 3 per cent real rate of return in the "regular" valuation is reasonable.

Demographic experience

22. The Consulting Actuary and the Committee of Actuaries noted in their respective reports that the experience data during the two-year period, 1 January 1989 through 31 December 1990, continued to indicate increasing longevity of pensioners. The Committee of Actuaries intends to study further the implications of using projected mortality rates in future valuations of the Fund. It will also undertake a more detailed review of the demographic experience over a longer period, including in particular the average ages of participants at the time of retirement.

Present value of accrued benefits

23. As in previous valuation reports, the Consulting Actuary provided another indicator of the funding position of the Fund, namely, a comparison of the present assets of the Fund with the value of the accrued benefits on the valuation date (i.e., the benefits for retired participants and their beneficiaries and the benefits considered to have been earned by all present participants if each participant's service were then terminated).

24. The results of that analysis indicate that, if future adjustments of pensions are not taken into account, the Fund is in a strongly funded position with respect to its liabilities on a "plan termination" basis. On that basis, the funding ratios, which varied according to the rate of interest assumed, ranged from 123 per cent to 138 per cent, with 131 per cent being applicable for the "regular" valuation assumptions (6.5/9/6). This means that the Fund would have considerably more assets than needed to pay the pensions if no adjustments were made in pensions for changes in the cost of living. However, the funded position is considerably weaker when account is taken of the assumption that pensions in award would increase at the rate of 6 per cent per year: the funding ratios range from 67 to 86 per cent, with 77 per cent being the funding ratio under the "regular" valuation assumptions. The funding ratios under the valuation as at 31 December 1990 reflected continuing improvement since 1980, whether or not future adjustments of pensions for cost-of-living changes were taken into account.

Conclusions

25. The Board noted with satisfaction the significant reduction in the Fund's actuarial imbalance, from 3.71 per cent of pensionable remuneration as at 31 December 1988 to 0.57 per cent of pensionable remuneration as at 31 December 1990. The Committee of Actuaries, while expressing satisfaction with the favourable valuation result, stressed that the objective of an actuarial balance has not yet been achieved. It reaffirmed the position it had taken in 1983, and repeated on several occasions since, that a contribution rate of 24 per cent was desirable, taking into account that changes were expected in future both in the demographic situation (see para. 26 below) and in the pension adjustment system (see paras. 138 to 179 below), and that the primary objective should be to secure the actuarial balance of the Fund.

26. The Board took note of observations made by the Consulting Actuary and the Committee of Actuaries on the future effect of higher life expectancy among pensioners on the actuarial situation of the Fund and of the intention of the Committee of Actuaries to examine at its next session the demographic assumptions to be used in this regard. It also noted that accumulated interest on the past and continuing imbalance had been the largest contributor to the actuarial imbalance of the Fund over the past 10 years. The Board recalled its long-standing position that the contribution rate should be increased to 24 per cent, as recommended by the Committee of Actuaries; however, views in the Board differed as to when and how that increase should be implemented. The participants' representatives and some other members of the Board noted that the major burden of the measures taken to reduce the imbalance (economy measures and increases in the rate of contribution) had thus far been borne by participants. The representatives of the General Assembly and of some of the other governing bodies noted that the contribution rate had been increased by 1.2 per cent of pensionable remuneration on 1 January 1990 and that it would be difficult to obtain the approval of Member States for a further increase at this time. The contribution rate was also considered in the context of the changes proposed in the pension adjustment system.

2. Membership of the Committee of Actuaries

27. The Committee of Actuaries consists of five members, one from each of the five geographical regions of the United Nations, appointed under article 9 of the Regulations, by the Secretary-General on the recommendation of the Board.

28. Under the arrangements adopted by the Board in 1986 to stagger the membership of the Committee, the terms of two of the members are scheduled to expire on 31 December 1991:

Mr. A. O. Ogunshola (Nigeria)	- Region I (African States)
Mr. L. J. Martin (United Kingdom of Great Britain and Northern Ireland)	- Region V (Western European and other States)

29. The Board recommended, and the Secretary-General approved, the reappointment of Mr. A. O. Ogunshola and L. J. Martin for three years, from 1 January 1992 to 31 December 1994.

3. Interest rate applicable to lump-sum commutations of periodic benefits

30. Last year, the Board reviewed and reported to the General Assembly 3/ on the interest (discount) rate applicable to lump-sum commutations of periodic benefits under article 28 (g) of the Regulations, which had last been revised in 1985. It decided to maintain the current 6.5 per cent rate, but, in view of the concern expressed by some members of the Board that no technical basis had been developed for assessing and revising the interest rate, the Board agreed to review this matter further in 1990 on the basis of a study by its Secretary and the comments of the Committee of Actuaries thereon.

31. The interest rates currently used to calculate the lump-sum commutations are as follows:

Period of service	Interest rate (per cent)
Prior to 1/1/1979	3.25
1/1/1979 to 31/12/1982	4.0
1/1/1983 to 31/12/1984	4.5
From 1/1/1985	6.5

32. In order to determine the amount of a lump-sum commutation for a participant, the Fund uses a composite interest rate based on the rates which applied when the contributory service was performed, in combination with the applicable mortality tables.

33. In 1983, when it first began to consider measures to redress the actuarial imbalance of the Fund, the Board decided to set the interest rate used for lump-sum commutations at a level higher than the real rate of return assumed in the "regular" valuation of the Fund, so as to produce an actuarial gain for the Fund. The Committee of Actuaries indicated in 1986, and reiterated in 1990, that, as a result of that decision, the question of how to set the interest rate had ceased to be a purely technical one, and that any decision on the level of the interest rate would be arbitrary, rather than scientifically based, and would be the result of a compromise. The Committee also stated that the rate should not be too low, as that would be detrimental for the Fund, or too high, as that would be unfair to the participants.

34. At its July 1991 session, the Board reviewed information on: market interest rates over the period 1979 to 1991; the annual rates of return of the Fund's investments over the same period in nominal and inflation-adjusted terms; the Fund's composite interest rates projected to 1999 for 15, 20, 25, 30 and 35 years of continuous service; the practices followed in some other pension schemes in determining the interest rates used for benefit commutation purposes; and the impact of different levels of the interest rate on the amount of the lump sum and on the Fund's actuarial situation.

35. On the basis of the 31 December 1990 actuarial valuation, the Consulting Actuary estimated the actuarial implications of higher and lower future interest rates to be as follows:

Change in interest rate for future service from 6.5 per cent to	Implications for required rate of contributions (per cent of pensionable remuneration)
8	(.33)
7.5	(.20)
7	(.09)
6.5	0
6	.13
5.5	.27
5	.43
4.5	.61
4	.86
3.5	1.29
3	1.93

36. In its report to the Board, the Committee of Actuaries reiterated the position it had taken in 1986 and 1990 (see para. 33 above). As it considered stability in pension provisions to be of primary importance, the Committee recommended that no change should be made in the interest rate at this time. It also agreed with the suggestion made by the Secretary of the Board that, in the absence of a compelling reason to review the rate earlier, the Board should review the rate every five years.

37. The participants' representatives in the Board took the position that, as there had been a significant reduction in the market interest rates since 1984 when the Fund's interest rate was increased from 4.5 per cent to 6.5 per cent, the time had come to reduce the rate to 5.5 per cent for contributory service after 1991. It was stated, inter alia, that an unnecessarily high interest rate (i.e., high in relation to the real rate of return assumed in the actuarial valuation of the Fund), which provided actuarial savings at the expense of participants, could be considered punitive, and that it was the responsibility of the Board to ensure that participants were treated fairly.

38. Several representatives of executive heads and of governing bodies expressed the view that the current level of the interest rate should not be changed at this time. They stated, inter alia, that it would not be advisable to link the Fund's interest rate to market rates given the volatility of the latter which responded to inflation rates, that the Fund's actuarial situation did not justify reducing the interest rate at this time, and that priority should be given to modifying the pension adjustment system. These representatives agreed with a suggestion made by the Rapporteur of the Committee of Actuaries in the course of the discussion that the interest rate might be reviewed again in two years, i.e., on the occasion of the next actuarial valuation.

39. By a vote of 16 to 11, with 2 absentions, the Board decided against changing the interest rate for lump-sum commutations to 5.5 per cent at this time. It then agreed to review the rate in two years, in the light of the results of the actuarial valuation of the Fund as at 31 December 1992.

4. Actuarial implications of extending the maximum number of years of creditable contributory service

40. At its fortieth session in June 1990, the Board requested its Secretary to prepare a study of the actuarial implications of extending the maximum number of years of creditable contributory service, currently 35, for determining pension benefits, taking into account the differences in (a) the rates of accumulation applicable to participants who entered the Fund before 1 January 1983 and to those who entered on or after that date, and (b) the normal retirement ages for participants who entered the Fund before 1 January 1990 and for those who entered afterwards, namely, ages 60 and 62 respectively. The Board considered that study and the comments thereon by the Committee of Actuaries at its July 1991 session.

Background information

41. Since the Fund was established in 1949, its Regulations have limited the number of years of contributory service which could be used for determining pension benefits. In its review of the United Nations pension system, the 1960 Pension Review Group (PRG) stated that, in principle, every year of contributory service should be allowed to count. However, for cost reasons, it confined its recommendation to increasing the maximum number of years of creditable contributory service from 30 to 33 years. It recommended that, when financial circumstances permitted, the limit should be removed altogether. In view of the cost of the other recommendations made by the PRG, and taking into account that it would be some time before a then participant in the Fund could accrue more than 30 years of contributory service, the General Assembly, acting on the recommendation of the Advisory Committee on Administrative and Budgetary Questions (ACABQ), decided to defer increasing the maximum number of years of creditable contributory service.

42. In 1975, the Committee of Actuaries and the Board, faced with the fact that some participants in the Fund would be in a position to accumulate more than 30 years of contributory service by 1976, considered the question again. The view of the Board, supported by the Committee of Actuaries, was that the contributory service of participants should be recognized to the maximum extent possible, consistent with the practices in a number of national civil service pension schemes, subject to the availability of resources in the Fund. In 1976, the Board recommended and the General Assembly approved, effective 1 January 1977, an interim measure to extend the maximum number of years of creditable contributory service from 30 to 32, with a rate of accumulation of 1/100 or 1 per cent of final average remuneration in respect of the additional two years (instead of the standard accumulation rate of 1/50 or 2 per cent, which had been introduced on 1 January 1970).

43. In 1979, the Board recommended an increase in the maximum number of years of creditable contributory service from 32 to 35 and retaining, for cost reasons, the rate of accumulation of 1 per cent of final average remuneration

for the years exceeding 30. The maximum pension benefit was therefore set at 65 per cent of final average remuneration. The Board recommended further that the reduction factor for early and deferred retirement benefits commencing before the normal retirement age of 60 for participants with 30 or more years of contributory service should be changed from 2 per cent to 1 per cent for each year below age 60. These recommendations were approved by the General Assembly and incorporated in the Fund's Regulations effective 1 January 1980.

44. Among the economy measures introduced in 1983 to improve the actuarial situation of the Fund, there was a change in the rate of accumulation for participants entering the Fund as from 1 January 1983: 1.5 per cent for the first 5 years of contributory service, 1.75 per cent for the next 5 years, and 2 per cent for the next 25 years of contributory service, resulting in 66.25 per cent as the maximum benefit accumulation after 35 years for those participants. The lower rates of accumulation for the first 10 years of contributory service correspond to the practice in the comparator civil service, i.e., in the Civil Service Retirement System (CSRS) of the United States Federal Civil Service. However, the number of years of creditable contributory service and the maximum benefit accumulation remain more favourable in the comparator service, i.e., 42 years and 80 per cent, respectively.

45. In 1986, the Regulations were amended further to place a ceiling on the pension payable to participants at the Under-Secretary-General, Assistant Secretary-General or their equivalent levels, to 60 per cent of their pensionable remuneration; this has the effect of not crediting their contributory service beyond 30 years.

46. In summary, the present maximum number of years of creditable contributory service is 35 for all participants, except for participants at the Under-Secretary-General and Assistant Secretary-General levels and their equivalents (see para. 45 above), but the annual rates of benefit accumulation and the maximum benefit accumulation vary as follows:

		Rate of accumulation	Maximum accumulation
(a)	Participants who entered the Fund before 1 January 1983	2 per cent for 30 years, 1 per cent for next 5 years	65 per cent, after 35 years
(b)	Participants who entered the Fund on or after 1 January 1983	1.5 per cent for first 5 years, 1.75 per cent for next 5 years, 2 per cent for next 25 years	66.25 per cent, after 35 years

Benefit accumulation rates under other public service pension schemes

47. The Board considered information on the benefit accumulation rates in 15 other pension schemes. The present maximum benefit accumulation under the

United Nations pension system - 65 per cent or 66.25 per cent, depending on the date of entry into the Fund - is lower than the maximum benefit accumulation in the pension schemes of the national civil services of five United Nations headquarters' countries (Austria, Canada, France, Italy and the United States of America) and of eight international organizations considered (World Bank, International Monetary Fund (IMF), Inter-American Development Bank (IDB), Asian Development Bank (ADB), Organization of American States (OAS), European Community (EC), Organisation for Economic Cooperation and Development (OECD) and the European Organization for Nuclear Research). Because of the nature of their pension schemes, it was not possible to compare the provisions on maximum benefit accumulation in the pension schemes of the national civil services of the other two headquarters' countries, i.e., Switzerland and the United Kingdom, with those under the United Nations scheme. The same was true for the Federal Employees Retirement System (FERS) of the United States, which applies to employees recruited on or after 1 January 1984.

Views of the Committee of Actuaries

48. The Committee of Actuaries reiterated its long-held view that, in principle, every year of contributory service should be counted for benefit accrual purposes. Taking into account the fact that a number of participants in the Fund have, or will soon have, 35 or more years of contributory service, the Committee believed that this was an opportune time to consider again increasing or eliminating the current maximum number of years of creditable contributory service. Noting that the pension schemes of a number of national civil services and international organizations, including the Civil Service Retirement System of the comparator service, had higher maximum benefit accumulations than does the United Nations pension system, the Committee believed that a good case could be made for making all years of contributory service count in determining the benefit entitlements, with a rate of accumulation of 1 per cent of final average remuneration for years of service in excess of 35, subject to a maximum benefit accumulation of 80 per cent of the final average remuneration. The Consulting Actuary had estimated that the cost of such a change would be a maximum of 0.10 per cent of pensionable remuneration.

49. At the same time, the Committee recognized that, in determining the timing of such a change, the Board would have to take into account the results of the 31 December 1990 actuarial valuation and the cost implications of its recommendation on a longer-term modification of the pension adjustment system.

Discussion in the Board

50. Several members of the Board expressed support for increasing the maximum number of creditable years of contributory service from 35 to 40, with a rate of accumulation of 1 per cent being applied with respect to the years of service beyond 35. They noted that this would be in line with the higher maximum accumulation permitted by many national schemes and international organizations. They also stressed that this would be of relevance for General Service staff - particularly those serving in the field in low-cost, high-inflation countries - whose average age at entry into Fund participation tended to be much lower than that for Professional staff; in addition, this

change would constitute an incentive for long-serving staff to remain in service rather than to separate from service at the earliest opportunity, thus providing offsetting savings for the Fund. Other speakers stated that such a change would not go far enough; they advocated that the accumulation rate after 35 years of service should be 2 per cent per year and/or that no limit should be placed on the creditable years of contributory service.

51. Several members of the Board representing executive heads agreed that, in principle, all contributory service should be recognized for benefit accrual purposes. However, in their view, this was not a pressing matter and could therefore be deferred until a more appropriate time. They stated that priority should be given this year to obtaining approval by the General Assembly of a longer-term modification of the pension adjustment system.

52. Some representatives of executive heads and of governing bodies were not prepared to accept that, as a principle, all contributory service should necessarily be counted for accrual of additional pension entitlements. It was noted that issues of personnel policy were involved when measures were taken either to encourage or to discourage early retirements. It was also stated that conflicting objectives appeared to be involved when, on the one hand, the United Nations pension system included provisions for making early retirement attractive while, on the other, inducements were proposed to retain staff in service longer.

Conclusions

53. After extensive discussion of the issue, the Board was unable to arrive at a consensus. It therefore decided to defer the matter until 1993, when it could be reconsidered in the light of the Fund's actuarial situation, as reflected in the valuation as at 31 December 1992. Depending on the financial status of the Fund at that time, the Board would give priority consideration to the question of increasing the maximum number of years of creditable contributory service. The Board requested the Secretary to prepare a study of the issues involved for the 1993 session of the Board analysing, *inter alia*, the actuarial implications, the particular situations of General Service staff at field duty stations, and the possible impact of an increase in the maximum years of contributory service on the retirement patterns of Fund participants.

5. Transfer of pension rights

(a) Development of a transfer agreement between the United Nations Joint Staff Pension Fund and the Inter-American Development Bank

54. The Committee of Actuaries reviewed information provided to it on the preliminary discussions, commenced at the initiative of IDB, between the Secretary of the IDB Staff Retirement Plan and the Secretary of the Board, aimed at developing a transfer agreement between the United Nations Joint Staff Pension Fund (UNJSPF) and IDB.

55. The Fund has concluded 12 transfer agreements with international organizations and Governments, which fall into two broad categories:

(a) "Inner circle" agreements with two specialized agencies - the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF): providing for recognition by the receiving party, on a one-to-one basis, of the participant's contributory service, pensionable remuneration and contributions, upon transfer to the receiving pension plan of 21 per cent of the participant's final average remuneration multiplied by the number of years of contributory service; and

(b) "Outer circle" agreements with five international organizations that are not specialized agencies and with five Governments of United Nations Member States: providing for the transfer of the actuarial equivalent value of a participant's accrued pension benefits, for which the participant receives certain contributory service or other pension credits from the receiving plan according to the latter's provisions.

56. A different approach for developing a transfer agreement between UNJSPF and IDB was suggested by an IDB consultant, because of the significant differences in the fundamental provisions of the two plans (e.g., in the definition of pensionable remuneration, rates of benefit accumulation and rates of contributions by participants and employing organizations). In order to prevent an immediate gain or loss to a transferee, the consultant had suggested a method of crediting contributory service in the receiving plan based on the pension actually accrued in the plan of the releasing organization at the time of transfer.

57. The Committee of Actuaries noted that the "inner circle" arrangements were both easy to understand and simple to administer; thus, they helped to facilitate the interchange of specialized technical personnel between the parties to the transfer agreement. It further noted that, although on occasion transferring participants might consider that they would be disadvantaged by one-to-one transfers under an "inner circle" arrangement, they had the option of not transferring their pension rights and of retaining deferred pension benefits in the plan of their releasing organization.

58. The Committee of Actuaries pointed out that, in view of the "inner circle"-type transfer agreements that both IDB and UNJSPF had separately concluded with IBRD and IMF, the impact on the Fund's agreements with IBRD and IMF of using a different approach in an agreement between IDB and UNJSPF would have to be carefully analysed, as it might require that the UNJSPF agreements with IBRD and IMF be renegotiated.

59. The Committee concluded that, in the context of the ongoing discussions with IDB, the Secretary of the Board should emphasize that, in view of the relatively few people who might be affected, a simple and practical solution should be sought that avoided the need for complicated provisions and protracted negotiations, as well as a reassessment of the Fund's existing transfer agreements. That meant that the eventual agreement should be based on either the "inner circle" (one-to-one) or the "outer circle" (transfer of pension value) approach incorporated in the Fund's existing transfer agreements. In view of the policy of United Nations organizations to facilitate the exchange of personnel and the desirability of securing continuity of pension rights, the "inner circle" approach appeared simpler and therefore preferable.

60. The observer from IDB informed the Board of the strong desire of his organization to negotiate a two-way transfer agreement with the Fund as quickly as possible, in order to facilitate the interchange of personnel between the Fund's member organizations and IDB. IDB, in conformity with a suggestion made by the Committee of Actuaries, would be prepared to pursue an agreement based on the "inner-circle" approach incorporated in the Fund's existing transfer agreements with IBRD and IMF. He expressed the hope that the text of a transfer agreement could be presented to the next session of the Board for approval and transmittal to the General Assembly, in accordance with article 13 of the Regulations. The Board requested the Secretary to submit a report on this matter to its next session.

(b) Transfer agreements between the Fund and the Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic

61. The Board was informed by the Secretary of the growing number of inquiries from present and former Fund participants from the USSR, Ukrainian SSR and Byelorussian SSR concerning primarily the relationship between their entitlements under the UNJSPF Regulations and the benefits they receive from the Social Security Fund of the USSR, following application of the transfer agreements concluded between the Fund and the three Governments. While these agreements only cover the transfer of pension rights from UNJSPF to the Social Security Fund of the USSR and not vice versa, they do not expressly exclude the subsequent restoration of prior contributory service in the Pension Fund under article 24 of the Fund's Regulations.

62. The Secretary, after raising the matter with the Committee of Actuaries, recommended that former participants who are nationals of the three Member States involved should be able to restore their prior contributory service upon their re-entry into participation in the Fund, provided the restoration requirements of article 24 of the Fund's Regulations were otherwise met. In his view, such participants should not be placed in a worse position with respect to restoration than other re-entrants.

63. The Committee of Actuaries agreed with, and the Board approved, the interpretation recommended by the Secretary of article 13 of the Regulations, to the effect that, on re-entry, participants from the three Member States, who had availed themselves of the applicable transfer agreement, should be able to restore their prior contributory service, under the same conditions as other re-entrants, provided they repay to the Fund, with interest, the amount which the Fund had transferred on their account to the USSR Social Security Fund.

64. Several participants' representatives informed the Board of representations received by staff associations from present and former participants who are nationals of the three countries, that the transfer agreements were not functioning properly, especially in the following areas: they do not allow for the transfer of pension rights from the national scheme into UNJSPF; the transferred UNJSPF pension rights do not generate commensurate increases in the pension benefits from the national pension scheme; and the transferred values are not returned to the individuals by the USSR Social Security Fund upon their re-entry into UNJSPF participation, so

that such participants often were not in a financial position to effect restoration upon re-entry.

65. The Board recognized that the issues involved in these transfer agreements were extremely complex, involving legal, financial and administrative considerations, both as between the Fund and the three Governments concerned, and as between these Governments and their nationals. It agreed to authorize the Secretary to initiate discussions with the Permanent Missions to the United Nations of the three Member States concerned, with a view to determining the extent to which the concerns that had arisen in the application of the transfer agreements could be resolved. The Secretary was requested to provide a report on this matter to the next regular session of the Board.

B. Investments of the Fund

1. Management of the investments

66. The Board reviewed the investments of the Fund on the basis of the report and accompanying statistical data presented by the representative of the Secretary-General. The report summarized the prevailing economic and market conditions, described the strategy and tactical methods applied in determining investments, and provided information on the investment returns during the year ended 31 March 1991.

67. The market value of the assets of the Fund as at 31 March 1991 was $9,338 million, i.e., $780 million more than a year earlier. The total return for the year was 8.9 per cent which, after adjustment by the United States consumer price index, represented a "real" rate of return of 3.8 per cent. This was the ninth consecutive positive annual return. The investment return was calculated by an outside consultant using the generally accepted standard method for return calculations, which included income from interest and dividend payments, realized net profits, and unrealized profits and losses due to market fluctuations implicit in changes in the market value. The annual total returns over the past five years were as follows:

Year ended 31 March	Percentage return
1991	8.90
1990	11.56
1989	5.90
1988	3.10
1987	24.69

68. The representative of the Secretary-General emphasized again that short-term results had little meaning in the context of a long-term investment strategy, as they were largely influenced by the volatility or unpredictability of the financial markets. Investments returns are likely to fluctuate from year to year and could, at times, be negative. The management of the Fund is geared to maintaining a careful balance between risk and reward expectations over the medium to long-term, rather than taking the risk inherent in seeking high short-term results.

69. The cumulative annualized total returns for the last 5, 10, 15, 20 and 25 years were 10.7 per cent, 12.9 per cent, 11.6 per cent, 9.7 per cent and 9.0 per cent, respectively. Over the 31-year period for which data was available, the cumulative annualized total rate of return was 8.5 per cent, representing a yearly inflation-adjusted or "real" return of 3.3 per cent.

70. Within the quideline ranges for asset allocations established by the Secretary-General, on the recommendation of the Investments Committee, the composition of the portfolio was changed continually, reflecting the judgement of the Investments Committee, the staff and the advisers, with regard to economic, market and currency trends. All investments, at the time of purchase or sale, were reviewed and analysed by the staff and had to meet the four criteria of safety, profitability, liquidity and convertibility, criteria which have been endorsed by the General Assembly.

71. During the year under review, the economic environment was characterized by world-wide slowdowns in economic expansion, declines in interest rates, volatility in oil prices and in currency exchange rates, lower commodity prices, and by economic restructuring in some countries. The management of the Fund's investments therefore continued to reflect the defensive strategy, introduced in late 1985, of realizing profits primarily from the equity sector and re-investing the proceeds in fixed income securities. During the year ended 31 March 1991, the Fund's investments in equities declined from 40 per cent to 39 per cent of its total assets; investments in bonds remained unchanged at 39 per cent; investments in real estate declined from 12 per cent to 10 per cent; and short-term holdings increased from 9 per cent to 12 per cent. The representative of the Secretary-General indicated that, should interest rates continue to decline, with fixed income investments becoming less attractive, the gradual build-up of the equity holdings, which began after the end of the year under review, might be intensified.

72. The structure of the portfolio also continues to reflect wide diversification of the investments by currency and geographical location, so as to reduce risk and improve the returns over the long term. The Fund is unique among major pension funds in its commitment to global investment. As at 31 March 1991, funds were invested in 42 countries, including 22 developing countries, and in 33 different currencies; $5,119 million, or 55 per cent, of the investments are in currencies other than the United States dollar.

73. Investments in developing countries were reviewed by the Board, bearing in mind the guidelines adopted by the General Assembly on this matter. Direct and indirect investments in developing countries, at cost on 31 March 1991, increased by about 16 per cent since 1 April 1990. During the same period, the market value of the development-related assets rose by about 23 per cent; these investments accounted for about 13 per cent of the Fund's assets at book value.

74. The Board noted that the Secretary-General, through the Investment Management Service, had continued to search for investment opportunities in developing countries during the year under review. Missions were undertaken to developing countries in Africa, Latin America, the Middle East and Asia.

75. Members of the Investments Committee and the representative of the Secretary-General responded to a number of questions which related primarily to: the outlook for exchange rates, particularly as between the United States dollar and other major currencies; investments in specific regions, sectors and companies; and the considerations given to developmental and environmental concerns in making investments. The Board requested the Investments Committee to take into account, whenever possible, the long-term liabilities of the Fund when formulating investment strategies and determining asset allocations.

76. The Board expressed its appreciation to the members of the Investments Committee, to the representative of the Secretary-General, to the staff of the Investment Management Service and to the institutional global adviser for their contributions to the management of the investments. It noted with regret that the Chairman of the Investments Committee, Governor B. K. Nehru of India, was not in a position to accept to serve another term. The Board thanked and paid tribute to him for the valuable contributions he made to the work of the Committee during his 29 years as a member and 14 years as

Chairman. The Board also noted with regret the death of Mr. George Johnston of the United States, a member of the Committee, early in the year.

2. Membership of the Investments Committee

77. The Secretary-General, in accordance with article 20 of the Regulations of the Fund, conveyed to the Board the names of two members, Mr. Aloysio de Andrade Faria (Brazil) and Mr. Stanislaw Raczkowski (Poland), he intended to propose, after consultation with the Advisory Committee on Administrative and Budgetary Questions, to the General Assembly at its forty-sixth session for reappointment as members of the Investments Committee. The Secretary-General also informed the Board of his intention to propose that Mr. Ahmed Abdullatif (Saudi Arabia), who has served as an ad hoc member of the Committee since 1984, be appointed as a member of the Committee, replacing Governor B. K. Nehru, and that Ms. Francine J. Bovich (United States of America) be appointed to fill the remaining portion of the term of the late Mr. George Johnston, which will end on 31 December 1993.

78. In recognition of Governor B. K. Nehru's invaluable contributions to the work of the Investments Committee over the last 29 years and in order to continue to benefit from his knowledge and expertise in the future, the Board recommended, and the Secretary-General agreed, that Governor Nehru should be invited to continue to participate in the work of the Investments Committee, whenever possible, as member emeritus.

C. Financial statements of the Fund and report of the Board of Auditors

79. The Board examined and approved the financial statements and related data on the operations of the Fund for the year ended 31 December 1990, submitted by the Secretary for inclusion in the annual report of the Board.

80. The Board noted the current status of outstanding tax refunds from a number of countries (see schedule 4 of annex II). Concern was expressed that the failure of certain countries to grant tax exemption to the Fund's investments could lead countries that have recognized the special tax exempt status of the Fund to reconsider their position. For this reason, several members reiterated their belief that the Fund should refrain from investing in countries where its tax exempt status is not recognized. Others argued that investments in these countries should continue as long as they were profitable. The Board also noted that delays in obtaining tax refunds could not only result in exchange rate losses, but also in "opportunity losses" in terms of the income that could have been generated from earlier investment of the tax refunds.

81. In this context, the Board recalled that last year the General Assembly, in section VII, paragraph 2, of its resolution 45/242, had requested "Member States that do not now grant tax exemptions on investments of the Fund to make all possible efforts to permit such exemptions". The representative of the Secretary-General for the investments of the Fund informed the Board that, while discussions with some countries had yielded successful results, the same was not true with others. The Board reiterated its concern regarding the financial and legal implications of those instances when certain countries

fail to grant tax exemption status for the Fund's investments. It requested the representative of the Secretary-General to prepare a special report on this matter, including the status of negotiations with those countries which have not granted tax exemptions, for the consideration of the Board at its next session.

82. The Board took note of the report of the Board of Auditors on the accounts of the Fund for the year ended 31 December 1990.

D. Comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories

Introduction

83. In section III of its resolution 45/242, the General Assembly took note of the arrangements agreed upon by ICSC and the Board for carrying out the comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories (hereafter referred to as General Service staff), and requested the Commission, in full cooperation with the Board, to submit recommendations to the Assembly at its forty-sixth session.

84. In accordance with these arrangements, a Joint Preparatory Working Group - composed of three members designated by the Commission, six members designated by the Board, and with one member each designated by the Federation of International Civil Servants' Associations (FICSA) and the Coordinating Committee for Independent Staff Unions and Associations of the United Nations System (CCISUA) - reviewed and revised the preliminary analysis prepared jointly by the secretariats of ICSC and the Board. The initial documents were considered by the Board and the Commission at their first meetings in February and March 1991, respectively. The two secretariats provided additional information and analyses for consideration by the two bodies at their respective summer sessions, based on their comments and requests. Following each of its sessions, the Board's views were transmitted to the Commission.

Methodology to determine the pensionable remuneration of General Service staff

85. At its February 1991 session, the Board reviewed the evolution of the methodology used to determine the pensionable remuneration of General Service staff since the establishment of UNJSPF. It noted that the common principles and guidelines for determining the pensionable remuneration of all categories of staff in relation to their net salaries, which had been in effect until 1976, had given way to divergent arrangements. This was largely due to the changes in the salary, staff assessment and pensionable remuneration systems applicable to staff in the Professional and higher categories (hereafter referred to as Professional staff). The Board recalled, in this connection, that pensionable remuneration should be seen as a means for arriving at an appropriate pension benefit.

86. The main factors determining the pensionable remuneration of General Service staff are: (a) their net salaries, which are established in local currency terms on the basis of best prevailing conditions of employment at each duty station; (b) the dollar-based staff assessment rates, which are used

to gross up the net salary so as to take into account the fact that pensions, unlike salaries, are not exempt from income tax; (c) the methodology followed in applying the dollar-based staff assessment rates to determine local currency gross salaries; and (d) the definition of pensionable remuneration of General Service staff under article 54 (a) of the Regulations of the Fund, namely, the dollar equivalent of the sum of their gross salary and of their pensionable allowances.

87. Because of the effect of relating dollar-based factors (i.e., staff assessment rates) to local currency factors (i.e., net salaries) at duty stations outside the United States, the dollar pensionable remuneration of General Service staff will increase or decrease in accordance with fluctuations in the exchange rate between the dollar and the local currency, resulting in variations in the relationship between the levels of General Service pensionable remuneration and those of Professional staff at such duty stations. In addition, when General Service salary scales at such duty stations are revised, the proportional relationships between their gross and net salaries, and hence between their pensionable and net remuneration, may be substantially modified.

88. The Board reviewed the evolution, since 1979, of the pensionable remuneration and pensions of General Service staff at 15 duty stations in relation to their net salaries, to cost-of-living and exchange rate changes and to the pensionable remuneration and pensions of Professional staff. The changes in the relationship on different dates between the pensionable remuneration of General Service and of Professionals were due for the most part to the following: the effects of currency fluctuations on General Service pensionable remuneration and on the grossing up of net salaries; different scales of staff assessment; and different procedures for applying the respective scales of staff assessment to derive the pensionable remuneration from the net remuneration: while for General Service staff all of their pensionable net salary is grossed up, for Professional staff, only 46.25 per cent of their net remuneration is grossed up (corresponding to the pension benefit accumulation rate for 25 years of contributory service).

89. Views differed in the Board on whether the current methodology gave rise to problems and/or anomalies and on the merits of the alternative methodologies presented in the document before it. As the review and possible revision of staff assessment rates for General Service staff rested with ICSC, the Board was not in a position at its February session to assess the potential impact of revised staff assessment rates on General Service pensionable remuneration, and consequently on pensions, under either the current methodology or under some of the alternatives. The Board therefore submitted to the Commission a summary of the differing views of its members and requested that additional information and analyses be provided to the summer sessions of the Board and the Commission.

90. At its July 1991 session, the Board continued its review of the methodological issues, in the light of the observations made by the Commission at its March session and of the additional information and analyses prepared by the two secretariats. It also considered an alternative universal approach to using dollar-based staff assessment rates to gross up the net salaries of General Service staff, developed by the Consultative Committee on Administrative Questions (CCAQ) and referred to as the "Band approach" (see

paras. 103 and 104 below). The views expressed in the Board at its two sessions on the specific methodological alternatives are set out below.

Option 1: Retain current methodology

91. The participants' representatives maintained that the current methodology worked well and represented a reasonable application of social security principles, as set out in international conventions. In particular, it involved use of the gross salary as the basis for determining both pension contributions and pension benefits. In their view, there was no reason to change a methodology that provided reasonable pensions in relation to the income while in service, and that was financially balanced, and was both understood by and accepted by the staff. They noted that the current methodology provided pensions for General Service staff which met the objective espoused by the 1958 Expert Group on Pensionable Remuneration, namely, that any comprehensive retirement scheme should "guarantee to participants reaching the age of retirement a benefit on which they may support themselves under conditions not too markedly different from those enjoyed during their closing years of service". They felt that undue attention was focused on the dollar amounts of the pensionable remuneration and pensions in a few locations, without account being taken of the cost of living and the dollar equivalent of the salaries payable in those areas. Moreover, the emphasis on the relationship of the pensionable remuneration of General Service staff to that of Professional staff, in particular the "overlap" issue, was excessive and misleading.

92. The participants' representatives opposed incorporating features of the methodology used to determine the pensionable remuneration of Professional staff into the General Service methodology. They stated that, instead, attention should be concentrated on resolving certain shortcomings in the General Service pension arrangements, namely: the problems faced by General Service staff who retire in high-inflation areas where the value of the initial amount of the pension can vary considerably from month to month, the level of minimum pensions, particularly those paid to beneficiaries in low-cost, high-inflation countries, which had not been subject to a review for some time; and the need to eliminate the practice of making a part of the net remuneration non-pensionable, which was not consistent with the law and practice of most national social security schemes.

93. The participants' representatives also stressed that, while they advocated the retention of the current methodology and recognized that staff assessment rates should be reviewed periodically, they were not prepared to accept the revised scale of staff assessment contained in the document before the Board. They had considerable difficulties with the data and methodology used to derive that scale. (The recommendation of the Commission on a revised staff assessment scale, following its consultations with the organizations and staff representatives, is contained in paragraphs 86 to 88 of chapter III of volume I of its annual report to the General Assembly.) 4/

94. Several other members of the Board agreed that the existence of "overlaps" in the pensionable remuneration amounts of General Service and Professional staff at some duty stations was neither a problem nor an anomaly. They questioned both the value and the validity of making such comparisons since different principles and practices govern the establishment

of the salaries and pensionable remuneration of the two categories of staff. Universal dollar scales of salaries and of pensionable remuneration apply to Professional staff whereas the General Service salary scales vary by location and are denominated in local currency; in addition, in most cases, the entire net remuneration of General Service staff is pensionable whereas the same is not the case for Professional staff at a number of locations. In these circumstances, it was inevitable that the relationships between the General Service pensionable remuneration and the Professional pensionable remuneration would vary over time and duty station.

95. Some members also noted that the Professional/General Service pension relationships were affected by the fact that the pensions of Professional staff in high-cost areas did not represent the same income replacement ratios as at the base, New York, because differences in post adjustment levels were not, at present, fully taken into account in the determination of the pensions of Professional staff retiring at those locations. It was therefore suggested that, since ICSC had on its work programme a review of the methodology for the determination of the salaries of General Service staff and the Board was considering modifications of the pension adjustment system which would increase the initial local currency pensions of Professional staff in high-cost countries (see paras. 138-179 below), the comprehensive review of General Service pensionable remuneration and pensions should be deferred until the results of those two exercises were known.

96. Some members representing executive heads and governing bodies stated that the current review of General Service pensionable remuneration was timely and necessary, as the present arrangements had led to some incongruous results. In their view, as the Commission had concluded at its March 1991 session, maintaining the status quo was not a viable option.

97. The representatives of the General Assembly and of some other governing bodies noted with apprehension that there was a considerable difference in the income replacement ratios, i.e., ratios of gross pension to net remuneration, between General Service and Professional staff. They also expressed concern at the levels of the General Service pensionable remuneration and pensions at certain locations in relation to those of Professional staff, as well as to those received by comparable outside employees. In their view, the "overlap" issue required extensive examination by the Commission and the Board in order to determine how and why it arose, and where and when an "overlap" was appropriate or justified. In particular, they were concerned by the "income inversion" phenomenon, namely, a situation whereby a General Service staff member who received a lower net remuneration than a Professional colleague while in service, could receive, upon separation after the same length of service, a higher pension at certain locations.

Option 2: Follow local practice, i.e., determine General Service pensions by reference to the best prevailing conditions of employment at each location

98. The members representing the General Assembly and some other governing bodies, as well as some members representing executive heads, stressed the need to consider seriously the possibility of determining General Service pensions in a manner consistent with the methodology used to determine their salaries, i.e., by reference to the best prevailing conditions of employment

in each locality. While recognizing the difficulties inherent in such an approach, these members indicated that it was essential that its pros and cons be presented to the Fifth Committee of the General Assembly. It was their view that the Commission should re-examine the feasibility of determining General Service pensions by reference to the pensions received by outside employees whose salaries were taken into account in determining United Nations net salaries. They also believed that the use of local taxes to gross up net salaries merited re-examination. It avoided the juxtaposition of dollar-based staff assessment rates and net salaries in local currency terms to arrive at pensionable remuneration amounts defined in dollar terms.

99. Other members acknowledged the surface appeal of this approach, but cautioned that so fundamental an overhaul of a basic element of the current pension system would give rise to problems more serious than the existing ones. They expressed concern that it might leave General Service staff members at some locations with no pension/social security coverage at all, since many surveyed employers do not have pension schemes and national social security schemes do not exist in all countries. In their view, pensions should continue to be related to the salaries received.

100. The extract from the document before the Board which presented some of the methodological issues involved in this approach, as well as their administrative and financial implications, is reproduced in annex IV below.

Option 3: Income replacement approach

101. The income replacement approach was introduced in 1987 as the basis for the methodology for determining the pensionable remuneration of Professional staff, taking into account the relationships between pensionable remuneration and net remuneration amounts for United Nations Professional staff and those for their counterparts in the United States federal civil service. This approach was reaffirmed by the General Assembly in 1990. The principle underlying that methodology is that the pensionable remuneration should be such as to yield a ratio of pension to net remuneration (i.e., income replacement ratio) that is deemed reasonable. The basic thrust of this approach in the case of General Service staff would be to arrive at income replacement ratios that are in line with corresponding local ratios, if such ratios can be determined, or with the ratios at the points of overlap of the highest General Service pensionable remuneration with those of the Professional staff or, if there is no overlap, at the lowest Professional level, P-1, step I. To take into account the tax factor in applying the income replacement methodology to General Service staff, four variants of this approach were examined: (i) use of local tax rates; (ii) use of dollar-based staff assessment rates; (iii) use of pre-determined income replacement ratios, for example, the income replacement ratios for Professional staff at each duty station; or (iv) use at all duty stations of the General Service pensionable/net remuneration ratios in New York, determined by applying the methodology for Professional staff.

102. Some members representing the General Assembly expressed the view that variant (iii) of the income replacement approach, which would relate General Service income replacement ratios to those of Professional staff at each location, merited further study as it seemed to address best the problem of overlaps between General Service pensionable remuneration and pensions and

those of Professional staff, especially the inequity that the same net remuneration at a given location results in different pensionable remuneration amounts according to the category of the staff members concerned. It was also noted that variant (iii) of the income replacement approach would eliminate the use of dollar-based staff assessment rates and would provide General Service pensions that represented income replacement ratios comparable to those of Professional staff.

Option 4: The "Band approach"

103. The "Band approach" consists in constructing a staff assessment scale, reflecting average taxes, based on income brackets expressed in percentages above the minimum salary instead of in United States dollar amounts. This staff assessment scale would be applied uniformly to the net pensionable salary at all duty stations to derive pensionable remuneration levels. Under this approach, it would not be necessary to convert the local currency net salary into United States dollars before the gross-up process takes place. The pensionable remuneration levels obtained as a result of the "Band approach" would, however, continue to be converted into United States dollars for the purposes of determining pension contributions and benefits, as is done at present.

104. Several members expressed an interest in the further study of this approach. It was noted that it could be combined with some of the variants of the income replacement approach, and could also be introduced into the current methodology. If the "Band approach" were to be pursued, the question would arise as to whether 100 per cent of the General Service net pensionable salary should continue to be grossed up or only 46.25 per cent thereof, as is done for Professional staff (see para. 88 above).

Option 5: Use of local tax rates to gross up net salaries

105. Some members believed it would be logical and consistent to use the same local tax rates to gross up the net pensionable salary as had been used in deriving the net salaries corresponding to the outside gross salaries. As under the "Band approach," the question of what portion of the net pensionable remuneration should be grossed up would have to be considered. It was also suggested that pensions be determined on a net basis, with reimbursement of the taxes paid thereon.

Conclusions

106. There was no agreement in the Board at this stage either on retaining the existing methodology or on supporting a specific alternative methodology. Some members favoured retention of the current arrangements, some advocated establishing pensionable remuneration and/or pensions by reference to local practice and some believed that the income replacement approach and, in particular, variant (iii) of that approach (see para. 102 above) was worth pursuing. It was also suggested that the "Band approach" or direct application of local taxes could be the basis for deriving the gross salaries and, hence, the pensionable remuneration, from the net pensionable salaries under options 1, 2 and 3.

107. The Board was unable to submit, at this stage, definitive views to the Commission on the methodology for determining the pensionable remuneration of staff in the General Service and related categories. It suggested that, pending further studies of alternative methodologies, the current methodology should continue to apply, subject to the review of the current staff assessment rates. The Board also agreed that, should a revision in staff assessment rates result in lower gross salaries and, hence, in a lower pensionable remuneration derived therefrom, transitional measures should be approved which would maintain the current level of gross salaries until overtaken on the occasion of subsequent revisions of the salary scales at each duty station.

108. As regards the future programme of work, the Board suggested that ICSC and the Board pursue, in close cooperation, studies of

(a) The feasibility of determining General Service pensionable remuneration and/or pensions by reference to the best prevailing practices in each locality;

(b) Variant (iii) of the income replacement approach, which establishes a link between the income replacement ratios of Professional and General Service staff at each location; and

(c) The "Band approach," or direct application of local tax rates, to derive gross salaries and, hence, pensionable remuneration from the net pensionable salaries.

109. The Board also indicated its intention to consider further, in conjunction with the studies of alternative methodologies, the other issues addressed in the documents submitted to it, namely: the definition of pensionable remuneration for General Service staff; minimum pensions; the procedures for determining the final average remuneration (FAR); the adjustment of pensions in countries with high-inflation rates; and pension entitlements of internationally recruited staff. (The decision of the Commission on future studies is contained in paragraph 90 of chapter III of volume I of its annual report to the the General Assembly.) 4/

E. Review of the methodology for the determination of the pensionable remuneration of ungraded officials

Introduction

110. In section II, paragraph 2, of resolution 45/242, the General Assembly requested ICSC, in full co-operation with the Board, to review the methodology for the determination of the pensionable remuneration of ungraded officials, including the executive heads of the organizations who are participants in UNJSPF, and to submit recommendations thereon to the Assembly at its forty-sixth session; it also requested the Board to recommend consequential changes in the Regulations of the Fund. The Assembly also invited the governing bodies and executive heads of the member organizations to cooperate with the Commission and the Board.

111. In making these requests, the General Assembly expressed the belief that a common system approach should be used for the determination of the

pensionable remuneration and pensions of all participants in UNJSPF, including ungraded officials. It also expressed concern at the divergent practices in the common system that had emerged since 1984 in respect of the pensionable remuneration of ungraded officials.

112. In making its observations and requests, the General Assembly had before it the information, data and views on this subject presented to it last year in the respective annual reports of ICSC and of the Board. In its report, 5/ the Board provided information and data on the evolution of the pensionable remuneration of ungraded officials over the 10-year period, January 1981 to July 1990, and on their net remuneration as of 1 June 1990. The Board also reported on its consideration of possible amendments to article 54 of the Fund's Regulations, to include a definition of the pensionable remuneration of ungraded officials, and to article 28 (d), to extend the ceiling on pensions to all participants in UNJSPF; at present, the ceiling applies only to Fund participants at the levels of Under-Secretary-General, Assistant Secretary-General and their equivalents.

113. In its annual report to the General Assembly, 6/ the Commission informed the Assembly of its decision, based on the advisory opinion provided by the United Nations Legal Counsel, not to address the matter of the pensionable remuneration of ungraded officials, as it had neither the statutory authority nor a mandate from the General Assembly to do so.

114. Pursuant to the mandate given to it by the General Assembly in resolution 45/242, the Commission discussed the pensionable remuneration of ungraded officials at its March and August 1991 sessions. At its March session, the Commission reviewed background information and data on the levels of net remuneration and pensionable remuneration of ungraded officials, including the information, data, and views contained in the Board's annual report to the Assembly last year. The data on the annual pensionable remuneration of ungraded officials, provided to the General Assembly at its forty-fifth session, was updated to cover the period July 1990 to January 1991; the additional data is reproduced in annex V. The Board considered, at its July 1991 session, the views of the Commission on the request of the Assembly and, in particular, on the methodology for determining the pensionable remuneration of ungraded officials, as set out in a document prepared jointly by the secretariats of the Commission and the Board. The views of the Board, which were transmitted to the August 1991 session of the Commission, are set out in paragraphs 122 to 131 below.

Views of the Commission considered by the Board

115. At its March session, the Commission noted that the fulfillment of its mandate from the General Assembly would not be inconsistent with the powers of the governing bodies to determine the conditions of employment of their elected officials, and that the intent was not to infringe on the rights of those sovereign bodies but merely to do away with a legal lacuna existing at present in the Regulations of the Pension Fund, namely, the absence of a definition of pensionable remuneration for ungraded officials, and to do so on the basis of a common system approach. The number of ungraded officials who are participants in UNJSPF is very small; some of these officials were appointed and others elected. As regards the elected officials, the

Commission noted that, while the salaries were the same for many of them, there were divergencies in the amounts of their pensionable remuneration.

116. The Commission's view was that the pensionable remuneration of appointed ungraded officials who were participants in the Pension Fund should be determined in accordance with a methodology analogous to the extrapolation approach (from the methodology for staff in the Professional and higher categories) used for the pensionable remuneration of participants at the Assistant Secretary-General and Under-Secretary-General levels. It noted that the same approach had been used to determine the pensionable remuneration of the Administrator of the United Nations Development Programme (UNDP) and the United Nations Director-General for Development and International Economic Co-operation (see para. 119 below).

117. With respect to elected ungraded officials, the Commission was of the view that the governing bodies of their respective organizations should have the choice as to whether they should be in UNJSPF or should have different arrangements. If these officials were in UNJSPF, their pensionable remuneration should be regulated by a common system approach, and all the Regulations of the Fund should apply to them. On the other hand, if the governing bodies of the organizations chose to exclude their elected officials from participation in the Fund, then they could make whatever alternative arrangements they deemed appropriate.

118. As to the specific methodological approach to determine and regulate the pensionable remuneration of ungraded officials who are participants in the Fund, the Commission considered that the methodology used to determine the pensionable remuneration of the Administrator of UNDP and of the United Nations Director-General for Development and International Economic Co-operation appeared to be sound, subject to further examination of specific aspects of that methodology.

119. This methodology, which was used to determine the pensionable remuneration of these two officials, as of 1 April 1987, is as follows:

(a) The net remuneration amount in New York (net base salary plus post adjustment at the dependency rate) for an official at level D-2, top step (step IV at the time), and that applicable for the UNDP Administrator and the United Nations Director-General were compared;

(b) The percentage difference between the two net remuneration amounts was calculated, and the pensionable remuneration amount applicable for a D-2, top step, official was increased by 90 per cent of that percentage difference to derive the pensionable remuneration for the UNDP Administrator and the United Nations Director-General.

120. During the discussions of this methodology at the March session of ICSC, the organizations raised two concerns with the Commission: (a) taking only 90 per cent of the percentage difference between the two net remuneration amounts in determining the pensionable remuneration of the ungraded officials would have an adverse effect on the income replacement ratios of the higher-level officials; and (b) no account was taken of the fact that some of the ungraded officials were elected and had relatively short periods of service. The Commission requested its secretariat, in close co-operation with

the secretariat of the Pension Board, to review that methodology, and also to consider alternative approaches.

121. The Commission expressed the view that the methodology eventually adopted need not necessarily apply to elected officials who are currently participants in UNJSPF, and that it would be for the governing bodies concerned to decide on the procedure to be used to determine the pensionable remuneration of such officials, taking into account the need to protect their acquired rights.

Views of the Board

122. At its July session, the Board considered the document prepared jointly by the secretariats of ICSC and the Board, which covered the issues of the methodology for determining the pensionable remuneration of ungraded officials and its subsequent adjustment, and of the imposition of a ceiling on the highest levels of pensions. The document also included views submitted by 10 member organizations of the Fund, which are reproduced in annex VI below. The Board also had before it a paper presented by the representatives of the Executive Heads of the International Fund for Agricultural Development (IFAD) and the United Nations Industrial Development Organization (UNIDO) concerning separate pension arrangements outside UNJSPF for elected ungraded officials who had statutory limitations placed on the terms of their office. The views of the Board and ICSC were sought on a possible common system approach to separate arrangements, along the lines applicable to the United Nations Secretary-General.

123. There was general agreement in the Board as regards elected ungraded officials who are excluded from participation in the Fund by explicit decisions of their respective governing bodies: the relevant governing body should make pension arrangements for such officials outside UNJSPF. While some support was expressed for the approach outlined in the paper presented by the representatives of the Executive Heads of IFAD and UNIDO, the Board concluded that it would not be appropriate for the Board to make recommendations on pension arrangements outside UNJSPF. It believed, however, that there should be some comparability in the pension arrangements made for such officials in the organizations which formed a part of the United Nations common system.

124. The representatives of executive heads and some participants' representatives stated that, if changes were to be made in respect of elected officials, they should not apply to those who are currently Fund participants: their acquired rights should be fully protected and no ceiling should be placed on their pensions. Others did not share this view.

125. Some members representing executive heads stated that elected officials should not be equated with appointed officials, in view of the fundamental differences in their status. The view was expressed that executive heads are outside the common system, as they are elected by their respective governing bodies, are responsible to those bodies alone, and have their terms and conditions of employment set out in a contract between them and their governing bodies. According to this view, the executive heads are legally separate and distinct from appointed officials within the common system, such as the UNDP Administrator and the United Nations Director-General for Development and International Economic Co-operation, whose terms and

conditions of service, including pension benefits, are dependent on the common system.

126. Those who shared this view also stated that, for elected ungraded officials who are currently Fund participants and for those who become participants in the future, their respective governing bodies should retain the exclusive authority to determine all of their conditions of service, including their pensionable remuneration, its subsequent adjustment, and whether or not the provision in the Fund's Regulations which places a ceiling on pensions should apply to them. Some of these members indicated that they could accept the inclusion of a definition of pensionable remuneration for such officials in the Fund's Regulations, if the text was along the lines of that considered by the Board last year; 7/ however, they also maintained that the placement of a ceiling on the pensions of such officials should be a matter for decisions by their governing bodies and not by the General Assembly.

127. The members representing the General Assembly concurred with the view of the Commission that the decision to include or exclude an elected official from participation in the Fund should be the responsibility of the governing body concerned. Depending on the choice made, their position was the following:

(a) If the elected officials are participants in the Fund:

(i) Their pensionable remuneration should be defined in the Fund's Regulations and established in accordance with the methodology recommended by the Commission, as approved by the General Assembly;

(ii) All the Regulations of the Fund, including the provision which places a ceiling on pensions, should apply to them; and

(iii) As indicated in article 49 of the Fund Regulations, only the General Assembly, after consultation with the Board, can amend the Regulations and determine the scope of their application;

(b) If the elected officials are excluded from participation in the Fund:

It would be the responsibility of the governing body concerned to determine their pension arrangements. However, prudence should govern decisions in this regard in the interests of maintaining some comparability among the elected officials of organizations in the United Nations common system.

128. A member representing one of the executive heads expressed the view that the methodology set out in the document prepared jointly by the two secretariats (which corresponded to the methodology used in 1987 to determine the pensionable remuneration of the Administrator of UNDP and the United Nations Director-General) would give results which are not in keeping with the income replacement approach to determining the appropriate level of pensionable remuneration. He therefore suggested that the Board should defer taking any position on the issues of the pensionable remuneration and pensions of elected officials until the Commission has taken a decision on the methodology it will recommend to the General Assembly and to the governing

bodies of the other organizations, and the respective governing bodies have reacted thereto.

129. In the course of the discussions, several participants' representatives expressed concern that the review of pensionable remuneration of ungraded officials might be used as the occasion for excluding a number of appointed ungraded officials from participation in the Fund. In their view, such a development would not be in the interest either of the officials concerned or of the Fund and, therefore, should be strongly discouraged. On the other hand, a member representing an executive head expressed the view that limitations on the terms of office of some executive heads would probably limit the length of service of senior officials appointed by them. He therefore suggested that ICSC should consider possible alternative pension arrangements for such officials. In this connection, he noted that, under article 21 of the Fund's Regulations, officials could be excluded from participation in UNJSPF by the terms of their appointment.

130. It was generally recognized in the Board that recommendations regarding the modification of the Fund's Regulations to extend the application of the provisions that place a ceiling on the highest level of pensions remained within the purview of the Board. However, some members of the Board noted that, although ICSC had no specific mandate to address this particular issue, the Commission had expressed the view that the Fund Regulations should apply to all participants.

Conclusions

131. As it was not possible to reach a consensus in the Board at this time on the issues set out in the document prepared jointly by the two secretariats, the Board decided to defer taking any definitive position until ICSC had recommended a methodology for the determination of the pensionable remuneration for ungraded officials who are participants in the Fund, including elected officials, and the governing bodies of the organizations have reacted thereto. It also decided to defer recommending any amendments to the Fund's Regulations until the issues related to the pensionable remuneration of ungraded officials had been resolved. The members representing the General Assembly expressed disappointment that the Board's report to both ICSC and the Assembly would not include a specific decision on such an important issue of principle and would not be in keeping with the central role of the Board as regards pension matters.

132. As indicated earlier, the views of the Board were transmitted to the August session of the Commission. The conclusions and recommendations of the Commission are contained in paragraphs 61 to 71 of chapter III of volume I of its annual report to the General Assembly. 4/

F. Pension adjustment system

1. Introduction

133. Last year, the Board considered longer-term modifications of the pension adjustment system to replace the interim "floor" measure used to determine the initial local currency pensions of staff in the Professional and higher

categories who had provided proof of residence outside the United States. As it was unable to reach agreement on any of the modifications it had examined, which are described in annex VII below, the Board recommended the application of a transitional measure for a 15-month period following the expiration of the interim "floor" measure on 31 December 1990, i.e., from 1 January 1991 to 31 March 1992 (see paras. 139 and 140 below). The Board established a Preparatory Group to intensify and expedite the efforts to develop a longer-term modification of the system. In section IV of General Assembly resolution 45/242, the Assembly approved the transitional measure and requested the Board

> "to give priority to the development of a long-term approach to the determination of the initial local currency pensions, taking into account the observations made by the Advisory Committee on Administrative and Budgetary Questions in paragraphs 25 to 27 of its report (see para. 134 below) and the need to safeguard the financial health of the United Nations Joint Staff Pension Fund while, at the same time, responding to the problems caused by the declining value of pensions in certain countries resulting from currency exchange rate fluctuations, and to submit recommendations on appropriate changes in the pension adjustment system to the General Assembly at its forty-sixth session."

The Assembly also invited the governing bodies of the Fund's other member organizations to refrain from seeking to establish for their staff additional pension entitlements, as such action would be detrimental to the common system under which all staff should receive equal treatment, irrespective of their employing organization.

134. In its report, 8/ the Advisory Committee on Administrative and Budgetary Questions had expressed the opinion that any modification of the pension adjustment system should continue to be governed by the guidelines set out by the General Assembly in its resolution 31/196 of 22 December 1976, when the methodology for determining the initial local currency pension was being considered. On that occasion, the Assembly had decided that the "principle of compensating by whatever means for country-to-country differences in the cost of living should be given limited recognition falling short of equality of purchasing power so as to ensure that the new scheme does not require an increase in the present or future financial liabilities of Member States".

135. In a communication dated 12 June 1991, the Secretary-General of the International Telecommunication Union (ITU) transmitted to the Secretary of the Board resolution No. 1015, adopted by the ITU Administrative Council on 7 June 1991, on a Pension Purchasing Power Protection Insurance Plan (PPPPIP) for ITU staff, which would enter into effect on 1 April 1992 unless the United Nations General Assembly implements measures providing comparable protection. On 28 June 1991, the Assembly adopted resolution 45/268, entitled "United Nations common system and United Nations pension system", which addressed the ITU resolution, 9/ as well as the decision of the Secretary-General of ITU to grant a special post allowance to headquarters staff at the Professional and Director levels 10/ and the decision of the International Labour Conference (ILO) to establish a Voluntary Thrift Benefit Fund. The Assembly, *inter alia*, expressed concern about the potential impact of these actions on the United

Nations common system and the United Nations pension system, and requested ICSC and the Board, within the context of their respective relevant work programmes, to examine the basis for the ITU and ILO decisions and their implications for the common system. The Assembly also reiterated its request that the Board give priority to the development of a long-term approach to the determination of the initial local currency pensions.

136. The Board considered under this item a paper submitted by the Staff Pension Committee of the Food and Agriculture Organization of the United Nations (FAO), which requested the Board to address effectively the longer-term problem of the erosion of the real purchasing power of pensions, as well as the immediate problem of ensuring a safety net to overcome the post-March 1992 problems (when the transitional measure expires) and redress the inequities of the system.

137. Finally, the Board reviewed problems related to the operation and administration of the pension adjustment system in "low-cost" areas.

2. Longer-term modification of the pension adjustment system

Background information

138. Information on the evolution of the pension adjustment system since UNJSPF was established was provided last year in the annual report of the Board to the General Assembly. 11/ As indicated in paragraph 81 of that report, the basic purpose of the pension adjustment system is to provide a measure of protection of the value of benefits, as established in dollars under the Regulations, against the effects of inflation and, for beneficiaries residing outside the United States, to ensure that their dollar entitlement translates into adequate amounts in local currency. In determining the degree of protection to be provided, the current and future financial resources of the Fund have to be taken into account, as the General Assembly had stipulated on the occasion of past reviews that changes in the system should not give rise to increases in the present or future financial liabilities of Member States.

139. The current arrangements can briefly be summarized as follows:

(a) A two-track pension adjustment system applies under which an initial dollar pension (the entitlement under the Regulations) and an initial local currency pension as of the retirement date, for participants who provide proof of residence in a country other than the United States, are established and subsequently adjusted by the United States consumer price index (US-CPI) and the local CPI, respectively, with the higher of the two being paid, as measured on a quarterly basis, subject to the application of a limit on the extent to which the adjusted dollar track amount can exceed the adjusted local currency track amount, namely, the former cannot be greater than 120 per cent of the latter (the "120 per cent cap");

(b) In determining the initial local currency pension, cost-of-living differential (COLD) factors are applied at locations where the cost of living is substantially higher than at the base of the pension system, New York (the "Washington Formula"); and

(c) For eligible participants, the initial local currency pension determined under (b) is subject to the transitional measure adopted by the General Assembly at its forty-fifth session (see para. 140 below).

140. Under the transitional measure, "personal" floor amounts are established for the initial local currency pensions of participants who would have qualified for the previous interim measure had they retired on 31 December 1990 and who separate during the period 1 January 1991 through 31 March 1992. These amounts correspond to the initial local currency pensions that would have been received had the participants separated on 31 December 1990, at the age and with the final average remuneration and years of contributory service accrued as of that date. It was estimated that some 231 participants might be eligible for the transitional measure. 12/

February session of the Board

141. At its February session, the Board considered the progress report of the Preparatory Group it had established. While recognizing that some members of the Board favoured the full income replacement approach (i.e., the same income replacement ratios - ratios of pension to net remuneration - at high-cost locations as at the base of the system, New York), the Group noted the difficulty of reaching agreement on such an approach because of cost constraints and the limited possibilities for effecting savings by modifying other provisions of the pension adjustment system. It expressed the view that an important consideration, in changing the nature and scope of the pension adjustment system, should be to provide income replacement ratios which are within an acceptable range of the corresponding income replacement ratios in New York.

142. The Group considered two methodological approaches to achieve reasonable income replacement ratios: (a) determining the initial local currency pension by direct application of the income replacement ratios in New York (variation of the ITU approach); or (b) modifying the "Washington Formula". It recommended the latter since the "Washington Formula" had been approved by the General Assembly and already formed part of the adjustment system, therefore making it easier to implement and administer changes of its various parameters. The Group also recommended that the Board decide at its February session which of the modifications it wished to pursue further so as to facilitate future analyses and decision-making at its July session on the difficult issues of cost and financing.

143. The Board agreed that the pension adjustment system should be modified to provide greater recognition of cost-of-living differences at locations with higher post adjustment classifications than New York, taking into account the income replacement concept and bearing in mind that any modification should not result in a reduction of the initial dollar pension entitlements under the Regulations. (This was a reaffirmation of the position that the Board had reported to the General Assembly at its forty-fifth session.) It also agreed that the methodological approach should be a modification of the four parameters of the existing "Washington Formula," which are:

(a) The threshold: the number of post adjustment classes above New York, as averaged over a 36-month period, required for triggering the application of COLD factors (currently, the threshold is four post adjustment classes);

(b) The COLD factors: the percentage adjustments applicable at the threshold and for each class above it (see the table in annex VII below);

(c) The PA class limit: the number of post adjustment classes above those at New York for which compensation is made (currently limited to 12 classes above New York); and

(d) The FAR limit: the portion of the final average remuneration (FAR) to which the differential factors are applied (currently the COLD factors are applied to that part of FAR which does not exceed the pensionable remuneration for level P-2, top step).

144. The Board was unable to reach agreement on the modifications of the "Washington Formula" to be pursued. Some members, including in particular the participants' representatives and the representative of the ITU Governing Body, favoured Modification D, under which the threshold would be reduced from 4 classes to 1 class of post adjustment above that of New York and the current limits on the other three parameters would be removed; its results closely approximate those under the ITU proposal, i.e., the full income replacement approach. In their view, any other approach would not provide equitable treatment of all beneficiaries, irrespective of their employing organizations and their places of retirement. They saw no reason why the income replacement ratios at high-cost duty stations should be any less than those at New York.

145. Other members, including in particular the representatives of the General Assembly and of some other governing bodies, believed that attention should be focused on Modification C, under which the threshold would be reduced from 4 to 2 post adjustment classes. They also expressed the view that the current FAR limit should be retained and, possibly, the current PA class limit. They stressed the importance of adhering to the guidelines suggested by the Advisory Committee on Administrative and Budgetary Questions and endorsed by the General Assembly in its resolution 45/242 (see paras. 133 and 134 above).

146. Views also differed on the financing of any additional costs of a modification of the "Washington Formula". The representatives of the General Assembly and of some other governing bodies recalled the past resolutions of the General Assembly on the need to avoid any increases in the present and future liabilities of Member States. The participants' representatives indicated their readiness to consider various approaches to financing the additional costs, subject to maintenance of the one-third/two-thirds sharing of costs as between participants and member organizations.

147. Taking into account the views expressed on what modifications of the "Washington Formula" should be pursued and on how they should be financed, the Board decided to defer decisions on these two major issues until its July session. It requested a further analysis of Modifications B, C and D (see annex VII below), including, with respect to each, variations of the FAR limit and of the PA class limit, and of the costs thereof. It further requested that the analysis be based on projected appreciations and depreciations of the United States dollar in relation to certain other currencies, covering both

moderate and abrupt changes in exchange rates. Several members requested that consideration also be given to ways to bridge the differences between the levels of pensions payable under the proposed modified system and those payable to participants covered by the transitional measure, if the latter were higher. They were concerned that otherwise a number of participants would elect to retire by 31 March 1992, thereby affecting the operations of their organizations. Other members recalled that the agreement reached last year on the current transitional measure had explicitly provided that it would expire on 31 March 1992, irrespective of whether a long-term modification of the system was proposed and adopted by then.

Statement by the Administrative Committee on Coordination

148. At the meeting of the Administrative Committee on Coordination (ACC) in April 1991, the executive heads, "deeply concerned about the serious problems affecting the pensions of United Nations staff in the Professional and higher categories", decided to transmit to the Pension Board the following statement:

> "Like salaries, the pensions of United Nations staff in the professional and higher categories have eroded. The long-term objective should be the restoration of their value. In addition, they should be fully adjusted for inflation and for cost-of-living differences to ensure equity in treatment of Pension Fund beneficiaries irrespective of their place of retirement.
>
> "The Pension Board is urged to complete the studies initiated last year on possible longer-term modifications of the pension adjustment system and to submit recommendations thereon to the General Assembly this year, taking into account that the improvements required to resolve the problems inherent in the current arrangements will inevitably entail some increased costs. It must be recognized that, without some reasonable increase in the contributions to the United Nations Joint Staff Pension Fund by both staff and their employing organizations, it will not be possible to find a satisfactory solution to existing problems.
>
> "If satisfactory long-term measures cannot be made effective by March 1992 and in order to avoid numerous premature retirements in early 1992, and to maintain the purchasing power of pensions in all locations, the Pension Board is also urged to devise and recommend further transitional measures, which would be applicable to all staff in the professional and higher categories who are eligible to retire."

July session of the Board

149. At its July session, the Board considered the additional information and analyses it had requested and the views of the Committee of Actuaries thereon. It also considered the question of variations in pensions according to different dates of separation, including the impact of the expiration of the transitional measure on 31 March 1992.

150. The initial local currency pensions under the current system and under Modifications B, C and D were determined for officials at P-4, step XII level, and D-2, step IV level, retiring at age 60 with 20 years of contributory service in the following seven countries: United States, Austria, France, Italy, Japan, Switzerland and the United Kingdom. For the months of January through May 1991, the actual exchange rates and post adjustment levels applicable at each location were used. For the remaining 19 months, two sets of calculations were made, based on projections of an appreciation and a depreciation, in each case by a total of 25 per cent, in the value of the dollar against the currency of each of the six countries; moreover, between June 1991 and December 1992, it was assumed that projected appreciations and depreciations would be at a uniform monthly rate. The ICSC secretariat provided projected monthly post adjustment indexes and post adjustment multipliers for the period June 1991 to December 1992, based on the projected exchange rates and on a projected inflation rate in each country corresponding to the monthly average inflation during the previous 36 months. As regards changes in the net remuneration in New York, it was assumed that an additional class of post adjustment would become payable in March 1992, leading to a corresponding increase in the scale of pensionable remuneration for Professional staff on that date.

151. In calculating the initial local currency pensions under the current system and the modifications thereof, the special index for pensioners was applied in accordance with the provisions introduced in 1985. Under these provisions, the COLD factors are reduced in those countries where the tax rates applicable to United Nations pensions are lower than the staff assessment rates reflected in the scale of pensionable remuneration. The purpose of the special index is to take into account any tax advantage in an otherwise high-cost country. Since the FAR limit was set as the pensionable remuneration corresponding to P-2, top step, the comparisons of staff assessments and tax rates in the high-cost countries are based on the pension of a retiree having a FAR equal to that of an official at P-2, top step, with 20 years of contributory service.

152. Tables 1, 2 and 3 of annex VIII below provide a summary of the income replacement ratios for the seven locations on two dates: on 1 January 1991, which could be taken to reflect moderate changes in exchange rates during the preceding year or two; and on 1 December 1992, reflecting the results under the projected appreciation and the projected depreciation of the United States dollar during the 19-month period from 1 May 1991 to December 1992. Whenever the threshold under a particular modification was not reached, the income replacement ratios are the same as under the current system. (The PA class excess is shown for each country in the tables.)

153. From those tables, the Board noted the following:

(a) A FAR limit at P-3, step XV (instead of the current P-2, step XII) under Modification C provides a greater increase in the income replacement ratios at locations with high post adjustment classifications, for example, Switzerland and Japan, than would Modification D with the current FAR limit of P-2, step XII;

(b) On the other hand, for locations where the post adjustment classifications are higher than those in New York, but lower than those in

Switzerland and Japan, for example, Austria, France, Italy and the United Kingdom, a lower threshold for triggering the "Washington Formula" would be more beneficial than increasing the FAR limit. With a threshold of two PA classes (Modifications B and C), France, Italy, and the United Kingdom would not qualify for application of the "Washington Formula" at the present time and would do so in the near future only under a fairly significant depreciation of the United States dollar against the respective local currencies. In the case of Austria, there would be little or no adjustment because United Nations pensions are not taxable in that country, and therefore the special index reductions have a significant impact;

(c) A PA class limit of 12 has a significant reductive impact in respect of Japan but, barring a continuous depreciation of the dollar by more than 25 per cent and over a longer period of time than 19 months, would not impact on the other high-cost countries where large numbers of beneficiaries currently reside;

(d) The special index reductions, applicable when the threshold for the "Washington Formula" is reached and tax rates in the country concerned are less than the staff assessment rates reflected in the initial dollar entitlement, affect only Austria and France;

(e) As was to be expected, Modification D with no FAR limit and no PA class limit yields income replacement ratios which are the same as or very close to those in New York, usually within half a percentage point, at those locations where the threshold of one post adjustment class is met. It is inevitable that the income replacement ratios will not always correspond exactly to those in New York, given the use of 36-month averages of exchange rates, PA classes, and net remuneration amounts, as well as extrapolations of the COLD factors when the PA differences fall between two full classes and the rounding of the results of all these averages;

(f) Also, as expected, Modification B provides the least favourable results, in relation to the objective of narrowing significantly, if not eliminating, the differences in the income replacement ratios, because of the lower levels of the COLD factors.

154. Table 1 below provides the cost estimates, presented to the Board last year by the Consulting Actuary, of the three modifications, assuming no FAR limit and no PA class limit, in respect of the liability "patterns" on 1 January of 1987, 1988, 1989 and 1990, together with the estimated costs for the 1 January 1991 "pattern".

Table 1

Per cent increase in required rate of contribution on account of modifications in the pension adjustment system if the liability pattern of each date should continue in the future

(Calculations based on pension of an official at P-4, step XII, retiring at age 60 with 20 years of contributory service)

	Pattern set as of 1 January					
Washington Formula	1991	1990	1989	1988	1987	Average
Current	.10	.07	.12	.04	.01	.07
Modification B: no FAR limit	.22	.29	.36	.15	.05	.21
Modification C: no FAR limit	.30	.38	.45	.19	.07	.28
Modification D: no FAR limit	.43	.53	.53	.20	.09	.36

155. The cost estimates were based on an assessment, on the five dates, of the additional liabilities under each of the modifications by calculating the ratios of (a) the amount of the base local currency pension under each modification to (b) the amount under the current system without the interim "floor" measure, and multiplying those ratios by the proportion of the total participants in the Professional and higher categories likely to retire in each of the countries where amount (a) was greater than amount (b). The five "liability patterns" were analysed separately as continuing into perpetuity to determine the additional required contribution rate to the Fund.

156. Table 2 below contains the additional cost estimates provided by the Consulting Actuary for Modifications B, C and D, under variations of the FAR limit (including no limit) and with no PA class limit.

Table 2

Per cent increase in required rate of contribution under the "Washington Formula" if the liability pattern of each date should continue in future

(Assuming application of special index reductions, calculated by reference to FAR at P-2/XII, and no PA class limit)

			Under 25 per cent appreciation of United States dollar		Under 25 per cent depreciation of United States dollar	
Washington Formula	FAR limit	1 Jan. 1991	1 Jan. 1992	1 Dec. 1992	1 Jan. 1992	1 Dec. 1992
Current	P-2/XII	0.10	0.03	0.01	0.04	0.31
Modification B	P-2/XII	0.18	0.07	0.02	0.07	0.40
	P-3/XV	0.22	0.11	0.02	0.11	0.46
	P-4/XV	0.22	0.12	0.03	0.12	0.47
	P-5/XIII	0.22	0.12	0.03	0.12	0.47
	No limit	0.22	0.12	0.03	0.12	0.47
Modification C	P-2/XII	0.24	0.10	0.02	0.11	0.45
	P-3/XV	0.30	0.15	0.03	0.16	0.53
	P-4/XV	0.30	0.16	0.03	0.17	0.54
	P-5/XIII	0.30	0.16	0.03	0.17	0.54
	No limit	0.30	0.16	0.03	0.17	0.54
Modification D	P-2/XII	0.34	0.14	0.03	0.17	0.60
	P-3/XV	0.43	0.20	0.05	0.24	0.72
	P-4/XV	0.43	0.21	0.06	0.26	0.74
	P-5/XIII	0.43	0.21	0.06	0.26	0.74
	No limit	0.43	0.21	0.06	0.26	0.74

157. The Committee of Actuaries reiterated its view that the approach followed in developing the cost estimates was broadly satisfactory. It stressed again that, given the high degree of uncertainty as to the future evolution of exchange rates and inflation and their impact on post adjustment relativities, any estimates based on projections into perpetuity of the situation prevailing on a given date, or on projections of future evolutions of inflation and/or exchange rates, are, by their very nature, speculative. Therefore, a greater or lower degree of confidence could not be assigned to the cost estimates under any one of the liability "patterns" over the others. In the circumstances, the Committee agreed with the position taken by the Board at its February session that the range of cost estimates related to the various liability "patterns" should serve as the basis for estimating the initial cost of each of the modifications. It suggested further that an averaging of the five cost estimates for each modification could serve as a reasonable basis

for determining the additional financing required, i.e., 0.21, 0.28 and 0.36 per cent of pensionable remuneration for Modifications B, C and D, respectively, assuming no FAR limit in each case. The Committee also agreed that the actual cost of the modification eventually adopted should be monitored over the next three actuarial valuations of the Fund. It would consider at its next session, with the assistance of the Consulting Actuary, the modalities for such monitoring.

158. On the financing of additional costs, the Committee of Actuaries reaffirmed the position it had taken last year, namely, that a selective approach was inadvisable. It observed that different contribution rates according to the category or place of assignment of a participant, on the basis of assessments of who might or might not benefit from a certain feature of the pension system, would constitute a significant departure from the current universal principles and practices underlying the pension system, and could become a source of controversy and contention. Such an approach could lead to attempts to distribute the costs of other features of the system according to similar assessments of whom might benefit most or according to additional liabilities due to differences in the demographic assumptions applicable to participants by category, sex and family status.

159. As regards increasing the universally applicable rate of contribution from 23.7 to 24 per cent of pensionable remuneration, the Committee of Actuaries recalled and reaffirmed its past advocacy of a 24 per cent contribution rate as a means of achieving both an actuarial balance and securing appropriate benefit levels (see para. 25 above). The total financial implications for all organizations of such an increase, based on the total annual pensionable remuneration of $2,796 million for the 58,263 participants in the Fund as at 31 December 1990, are estimated to be $5.6 million a year. The additional cost for participants would be one half of that amount, or $2.8 million.

160. With respect to variations in pension levels of retirees according to different dates of separation, the Board reviewed again the evolution, at a number of locations, of the initial dollar pensions and the local currency pensions since the introduction of the two-track pension system on 1 January 1979, as well as the variations in the amounts of those pensions as adjusted since the date of award. As it had already noted last year, variations in the levels of pensions according to different dates of separation are the inevitable consequences of deliberate decisions to change the level of the variables used to calculate pensions, of transitional measures protecting the acquired rights of those in service or in receipt of a benefit at the time of changes, of the different arrangements governing adjustments of pensionable remuneration and adjustments of pension in award, and of continuous fluctuations in the exchange rates between the United States dollar and other currencies.

161. Annex IX below shows the variations in the annual amounts of the dollar track pensions and the local currency track pensions, as adjusted from the date of award to 1 May 1991. As is evident from that data, at times earlier retirees received more and at other times less. The levels of pensions received under the interim floor measure, even at their highest amounts, were less than the pensions received by those retiring in 1985, as adjusted to May 1991. Moreover, the levels of the initial local currency pensions of

those retiring after 1990, even under the transitional measure implemented as from 1 January 1991 and under Modification D of the "Washington Formula", may be lower than those received by retirees who had the benefit of the interim floor measure during the years 1987 through 1990, as well as significantly lower than the pensions received by those who retired in the years 1984 and 1985.

162. The Committee of Actuaries advised the Board that attempts to remove or limit variations in the levels of pensions according to different dates of separation would be extremely difficult to implement and justify, considering that the purchasing power of initial pensions was maintained after award through cost-of-living adjustments of both the dollar track and the local currency track amounts. In its view, any measures taken in this regard would inevitably have significant financial and administrative implications, both immediate and long-term. The initial amounts of the benefits received by future retirees would have to be continuously compared with the adjusted amounts of the benefits received by earlier retirees and vice versa, with the consequent adjustments always being upward.

Discussions and conclusions of the Board

163. On the basis of the further analysis of Modifications B, C, and D of the "Washington Formula", and taking into account the views of the Committee of Actuaries on the costs and possible financing arrangements, the Board engaged in intensive consultations with a view to reaching a consensus on the modification to be recommended to the General Assembly.

164. The participants' representatives, as well as representatives of some executive heads and of some governing bodies, pressed for Modification D of the "Washington Formula", without any limits on its four parameters, as they believed that the objective should be to obtain, at all high-cost duty stations and for all staff in the Professional and higher categories, regardless of their level, income replacement ratios which would not be less than those at the base of the system, New York. As regards the financing of the additional costs of such a modification, it was noted that increased costs of salaries arising from inflation and depreciation of the dollar were often met by adjusting the budgets of the respective organizations; therefore, it was not reasonable to expect the Fund to absorb all of the additional costs in pensions arising from the same economic factors or to insist that participants should bear such additional costs, considering that these costs were due to economic factors over which neither they nor the organizations had any control.

165. On the other hand, the representatives of the General Assembly and of some other governing bodies maintained that only a modification that fell short of full income replacement could obtain the approval of the General Assembly. They again stressed the importance of adhering to the guidelines set by the Advisory Committee on Administration and Budgetary Questions last year, which had been endorsed by the General Assembly in its resolution 45/242, namely, that limited recognition falling short of equality of purchasing power should be given to country differences in the cost-of-living so as to ensure that the new scheme does not require an increase in the present and future liabilities of Member States. They also referred to uncertainties as to the immediate and potential future cost implications of changing the parameters of the "Washington Formula", and to the strict

limitations that have been placed on the growth of the budgets of the member organizations.

166. In order to advance the deliberations, the Board agreed to a suggestion by the Chairman that the three constituent groups should present their respective positions on changes in each of the four parameters of the "Washington Formula" and on other key issues that had to be addressed before an agreement could be reached. The 10 issues placed before the Board related to:

(1) The threshold for triggering the application of cost-of-living differentials factors, i.e., whether to reduce it from four to two classes of post adjustment above New York or to one class;

(2) The COLD factors applicable at the threshold class and for each additional PA class, i.e., whether they should be 5 per cent or less;

(3) The PA class limit, i.e., whether to have a limit and, if so, what the limit should be;

(4) The FAR limit, i.e., whether to have a limit and, if so, what the limit should be;

(5) The method of measuring cost-of-living differences, i.e., whether to use PA classes paid or the PA classes related to the actual PA indexes;

(6) The special index for pensioners, i.e., whether it should be applied as at present or modified;

(7) The effective date of the implementation of the modification to be recommended;

(8) The applicability of the modification to staff in the General Service and related categories;

(9) The financing arrangements;

(10) Transitional measures, i.e., whether there should be such measures and, if so, what they should be.

167. After some initial differences of views on whether to include the issue of variations in the levels of pensions according to different dates of separation, the Board agreed to deal with that issue separately and at a later stage. It also agreed that the post adjustment classes actually paid should be used to measure cost-of-living differences (issue number 5 in paragraph 166 above).

168. During the discussions, the issues of the respective levels of the threshold and of the COLD factors were linked. The participants' representatives and the representatives of executive heads maintained that the threshold should be one class of post adjustment above New York and that the COLD factors should provide a 5 per cent increase at the threshold and for each PA class above the threshold.

169. The representatives of the governing bodies were initially divided on both the threshold and the COLD factors, but later proposed a threshold of one class of post adjustment, with a COLD factor of 3 per cent at the threshold and increasing thereafter for each class above the threshold according to the schedule of rates under the current "Washington Formula" (see proposal 1 in the table in para. 174 below). They also proposed: the establishment of the FAR limit at P-3, middle step; the continued application of the current provisions of the special index for pensioners, while agreeing to study whether modifications might be made in the way the special index is calculated and applied in the future; an effective date of 1 April 1992 for the modification; no increase in the contribution rate at this time, with the cost impact of the modification being monitored over time, so that judgements could be made on the occasion of future actuarial valuations of the Fund as to whether and, if so, when the contribution rate should be increased; expiration of the current transitional measure on 31 March 1992, as agreed last year when the measure was proposed, although new and limited transitional measures might be introduced in respect of survivors' benefits and disability benefits awarded after 31 December 1990, when the interim "floor" measure expired, and before 1 April 1992, the effective date of the proposed modification; and a reduction of the "120 per cent cap" provision of the two-track pension adjustment system to 100 per cent (i.e., the amount payable under the dollar track, should the dollar strengthen in the future, should not be greater than the amount under the local currency track). They reserved their position on the application of the proposed modification to General Service staff, as the issue of the pensionable remuneration of General Service staff had not yet been discussed at the time.

170. The participants' representatives position was: threshold at one class of post adjustment; COLD factors beginning at 5 per cent at the threshold and increasing by 5 per cent for each PA class above the threshold; no FAR limit; no PA class limit; retroactive effective date of 1 January 1991; retention of the current transitional measure until the amounts payable thereunder were overtaken by the amounts under the proposed modification; increasing the contribution rate from 23.7 to 24 per cent, as recommended by the Committee of Actuaries; and application of the proposed modification to General Service staff.

171. The position of the representatives of the executive heads was: threshold at one class of post adjustment above that at New York; COLD factors beginning at 5 per cent at the threshold and increasing by 5 per cent for each PA class above the threshold; readiness to consider a FAR limit at P-5, top step; readiness to consider a reasonable PA class limit; inclination towards increasing the rate of contribution to 24 per cent for the reasons cited by the Committee of Actuaries, but remaining flexible as regards the timing and/or modalities for implementing such an increase; continued application of the special index for pensioners as at present, but subject to further study of possible changes in the manner in which the index is calculated and applied; an effective date of 1 April 1992; and some transitional measures for survivors' benefits and disability benefits which became due between 1 January 1991 and 31 March 1992. As to the application of the modification to General Service staff, they were flexible but they preferred that it be taken up in the context of the review of the pensionable remuneration of such staff.

172. At the request of the Board, the Chairman initiated informal consultations with each of the constituent groups with a view to exploring areas in which agreement might be reached, so as to facilitate movement towards a consensus agreement in the Board. There was general agreement that a proposal not based on consensus and, in particular, which lacked the concurrence of the members representing the General Assembly, was unlikely to be approved by the General Assembly. At the same time, it was recognized that failure to reach an agreement would create serious problems for the United Nations pension system.

173. During the intensified consultations, discussions focused on the schedule of COLD factors and the establishment of a FAR limit. There was general agreement that, if those two issues could be resolved, the other issues would not prevent a consensus being reached.

174. Table 3 below provides four schedules of COLD factors which the Chairman of the Board put forward for consideration, as well as for comparison purposes, the schedules under Modifications C and D. The Chairman also provided the Board with a comparison of the income replacement ratios resulting from the six schedules of COLD factors and using FAR limits of P-3, top step, and P-4, top step. Those ratios are shown in the table in annex X below. An update of the ratios to 1 September 1991, together with the pension amounts involved, is provided in annex XI below.

Table 3

Schedule of COLD factors

36-month average PA excess over NY	Modification C	Proposals 1	Proposals 2	Proposals 3	Proposals 4	Modification D
			(percentages)			
1	0	3	3	3	4	5
2	5	7	7	8	9	10
3	10	12	12	14	15	16
4	16	17	18	19	20	22
5	22	22	24	25	26	28
6	28	28	30	31	33	34
7	34	34	37	38	39	41
8	41	40	43	45	46	48
9	48	46	51	52	54	55
10	55	53	58	60	61	63
11	63	61	66	68	69	71
12	71	69	74	76	78	80
13	80	77	83	85	87	89
14	89	86	92	94	96	98
15 or more	98	95	102	104	105	108

Proposal 1: current regime, with 1 PA class threshold;

Proposal 2: 1st PA class, 3 per cent; 2nd PA class, 7 per cent; then increase by 5 per cent for all other PA classes;

Proposal 3: 1st PA class, 3 per cent; then increase by 5 per cent for all other PA classes;

Proposal 4: 1st PA class, 4 per cent; then increase by 5 per cent for all other PA classes.

175. In the end, the Board reached a consensus on the schedule of COLD factors set out under Proposal 3 in the table under paragraph 174 above and on a FAR limit of P-4, top step. The agreement encompassed the following:

(a) The threshold would be one class of post adjustment above that at New York, as measured on a 36-month average basis;

(b) The schedule of COLD factors would be as set out in Proposal 3 under paragraph 174 above;

(c) The FAR limit would be set at P-4, top step;

(d) The PA class limit would be set at class 15;

(e) The special index for pensioners would continue to apply as at present, and the Secretary would be requested to submit to the next regular session of the Board a study on the special index;

(f) The effective date of the proposed modification would be 1 April 1992;

(g) The transitional measure introduced with effect from 1 January 1991 would expire on 31 March 1992, as agreed last year; however, the modification of the "Washington Formula" should apply retroactively to survivors' and disability benefits awarded between 1 January 1991 and 31 March 1992;

(h) The Secretary of the Board should submit studies to the next regular session of the Board on:

- (i) The applicability of the proposed modification to General Service staff, taking into account developments as regards the comprehensive review of the pensionable remuneration and pensions of such staff; and
- (ii) A possible change of the "120 per cent cap" under the two-track pension adjustment system; and

(i) The costs of the proposed modification should be monitored over time and a judgement reached by the Board on the occasion of the next valuation of the Fund as to the need for and, if so, the timing of changes in the contribution rate.

176. The Consulting Actuary estimated the cost of the proposed modifications of the "Washington Formula" to be in the order of 0.3 per cent of pensionable remuneration, based on considerations of the various cost estimates for Modifications C and D. The modifications, if approved by the General Assembly, would be incorporated into the pension adjustment system as described in annex XVIII below.

177. The member representing the Secretary-General of ITU informed the Board that, as the income replacement ratios under the proposed modification would in general be within the order of 1 percentage point of those at New York, it would be his recommendation to the Secretary-General of ITU that the modification, if adopted by the General Assembly, should be considered as providing results comparable to those sought under the PPPPIP approved by the ITU Administrative Council.

178. The members of the FAO Staff Pension Committee, while joining the consensus, expressed reservations regarding the longer-term validity of the proposed modification.

179. Finally, the Board requested its Secretary to continue to monitor variations in the levels of pensions according to different dates of separation and to report thereon to a future session of the Board.

3. Response to General Assembly resolution 45/268 of 28 June 1991

180. In view of the consensus agreement on a proposed modification of the pension adjustment system and the indication given to the Board by the representative of the Secretary-General of ITU that it produces results comparable to those under the scheme adopted by the ITU Administrative Council, the Board expects that adoption of its proposal by the General Assembly would lead ITU to forego implementation of the Pension Purchasing Power Protection Insurance Plan (PPPPIP). The resolution of the ITU Administrative Council specifically stated that the PPPPIP would be implemented only if comparable measures were not adopted by the General Assembly.

181. The Board therefore decided to inform the General Assembly that there would be a restoration of a common system approach to pensions if (a) the General Assembly approves the modification of the pension adjustment system recommended by the Board; and (b) ITU does not implement PPPPIP as a consequence thereof. As regards the other decisions referred to in General Assembly resolution 45/268, the Board believes they fall within the purview of ICSC.

4. Proposal submitted in a paper by the FAO Staff Pension Committee

182. The FAO Staff Pension Committee urged the Board to consider longer-term measures to restore the purchasing power of pensions which, like salaries, had eroded to unacceptable levels, as well as the immediate problems which would arise when the current transitional measure expires. In this connection, it referred to the statement adopted by ACC (see para. 148 above). The FAO Staff Pension Committee advocated raising the pension-to-salary ratio, i.e., the income replacement ratio, after 25 years of contributory service from 50 per cent to 60 per cent. It recognized that such increased pension benefits would have to be financed, so as to preserve the actuarial balance of the Fund. Nevertheless, the FAO Staff Pension Committee believed that the longer-term issues raised in its paper should be addressed and a plan for dealing with them should be formulated by the Board. In the short run, the paper called for measures to be taken to prevent the exodus of experienced staff by 31 March 1992, when the transitional measure approved by the General Assembly at its forty-fifth session will expire.

183. Views differed in the Board as to whether and, if so, when the type of study requested by the FAO Staff Pension Committee should be initiated. Some members noted that a comprehensive review of the pensionable remuneration and consequent pensions of staff in the Professional and higher categories had been undertaken last year by ICSC, in full cooperation with the Board, and that the General Assembly had approved the recommendations of those two bodies, which had been endorsed by ACC. It was also noted that the next comprehensive review was scheduled to take place in 1995 and therefore it would be premature for the Board to request its Secretary to undertake, at this time, extensive studies of the type envisaged by the FAO Staff Pension Committee. Other members welcomed the FAO initiative and suggested that the Board should not wait until the last moment to begin preparations for the next comprehensive review in 1995.

184. The Board decided that the issues referred to by the FAO Staff Pension Committee should be studied within staff pension committees or any other forums, it being understood that papers could be submitted to the Board for its consideration. At the appropriate time, the Board, taking into account its own work programme as well as that of ICSC, would take a decision on the type of studies it would wish its secretariat to carry out in preparation for the 1995 comprehensive review.

5. Problems of beneficiaries in "low-cost" areas

185. The Board was informed at its February session of the numerous representations from beneficiaries residing in "low-cost" areas, i.e., countries where the dollar-track pension amount was considerably higher than the local currency track amount, but was not payable in full under the pension adjustment system because of the "120 per cent cap" applicable to beneficiaries who provided proof of residence. Those affected were, for the most part, (a) beneficiaries who, as a consequence of misunderstandings, had not opted out of the two-track system when that opportunity was accorded to them upon the introduction of the "120 per cent cap" in 1985;
(b) beneficiaries who had submitted proof of residence after the introduction of the cap, without understanding the full implications of their action;
(c) beneficiaries who, for compelling reasons, had to move from a "high-cost" to a "low-cost" area after having provided proof of residence; and
(d) beneficiaries who had opted for the two-track adjustment system in countries where the local track could not be applied because of the lack of availability of CPI data in their respective country of residence.

186. The Board recognized that the problems involved in these cases concerned the operation and administration of the pension adjustment system and that, as such, were within the area of responsibility that the General Assembly had conferred on the Board. It agreed that the financial implications of its decisions, which are set out below, should be reported to the Assembly.

(a) Beneficiaries on the two-track system receiving less than the dollar amount

187. Most of the beneficiaries subject to the "120 per cent cap" were residing in developing countries, had retired before 1985 and were receiving relatively small pensions. They would have been well advised to withdraw their proofs of residence when the option to do so was provided in 1985; they had provided proof of residence before 1985, at a time when that could not prove disadvantageous under any circumstances. The Board recalled that the "120 per cent cap" had not been intended to reduce the pension benefits received by those in "low-cost countries" who had not gained from a higher local currency track pension in the past and were unlikely to do so in the future.

188. The Board therefore decided that the beneficiaries in low-cost countries who, having provided proof of residence prior to 1 March 1991, were subject to the "120 per cent cap", be given an option to move off the two-track system, prospectively. It was recognized by the Board that this constituted a well-defined and closed group, whose number will steadily decrease over time. The 1,440 affected beneficiaries are no longer on the two-track adjustment system. The financial implications for the Fund of this decision by the Board are presently estimated at some $180,000 per month, or 0.5 per cent of the total monthly value of all periodic benefits.

(b) Beneficiaries who changed their countries of residence from high to low-cost countries

189. The Board also addressed the special problem faced by beneficiaries who, for compelling reasons, moved from a high-cost to a low-cost area after having provided proof of residence. Such moves usually occurred when personal

circumstances changed drastically, for example, death of a spouse or serious health problems of the beneficiary. The Board felt that such cases required case-by-case examination, with all the relevant factors and circumstances being taken into account. The Board therefore decided to authorize the Secretary to allow such beneficiaries to revert to the United States dollar track alone, subject to the following conditions:

(a) The move was to the country of nationality of the beneficiary or of a family member, or to the country of a former duty station of the retiree, or was due to other personal and compelling reasons; and

(b) The beneficiary had been on the two-track system for a minimum period of time before the change was requested, normally at least one year.

(c) Beneficiaries in countries where there are problems regarding CPI data

190. The Board was provided with information on the countries for which CPI data had not been published in the United Nations Monthly Bulletin of Statistics, either since the commencement of the two-track adjustment system in 1975 or for the past several years, with an indication of the number of beneficiaries presently on the two-track system in each of the countries. It noted that, in 1986, the application of the local track for Lebanon had been suspended because of the lack of CPI data. The Board took note of the Secretary's intention to take the following action with respect to countries where up-to-date CPI data was not available:

(a) Examine the possibility of identifying alternative sources for CPI data;

(b) Consider the particular circumstances of the beneficiaries residing in each of these countries;

(c) Taking full account of the findings under (a) and (b), suspend the application of the local track, wherever appropriate; such suspensions would apply only prospectively, with advance notice being given to the beneficiaries concerned.

G. Composition of the Board and periodicity of its sessions

1. Composition of the Board

191. The present size and composition of the Board was approved by the General Assembly, upon the recommendation of the Board, in section I, paragraph 3, of Assembly resolution 42/222 of 21 December 1987. The enlargement of the Board from 21 to 33 members took effect on 1 January 1989.

192. In General Assembly Resolution resolution 42/222, the Assembly requested the Board,

> "taking into account the views expressed in the Fifth Committee, to keep under review the composition of the Board and the proportionate representation of the General Assembly and of the governing bodies of the other member organizations in the Board, and to report thereon to the Assembly at its forty-sixth session."

193. The Board recalled that the objectives of changing the size of the Board from 21 to 33 members were to provide appropriate representation of the enlarged membership of the Fund, taking into account the number of participants in each member organization, and in particular to increase the representation of the United Nations General Assembly. On the 21-member Board, the United Nations had six members, of which two members (and their alternates) represented the Assembly. The United Nations currently has 12 members on the 33-member Board, with four members and four alternate members representing the Assembly. Although a number of other possible alternatives were considered (including a 2:1:1 distribution, with half of the seats to be held by the General Assembly and other governing body representatives), after considerable discussion the Board recommended and the Assembly approved retention of the tripartite principle, followed since the inception of UNJSPF, with equal representation for its constituent groups (General Assembly and other governing bodies; executive heads; and participants).

194. As staff members of the United Nations and its subsidiary organs constitute over 50 per cent of the active participants in the Fund, the Board recognized that it was highly unlikely that the United Nations in general, and the General Assembly in particular, would accept an enlargement of the Board or changes in its composition which would result in a reduction of the proportionate representation of the United Nations on the Board; at the same time, it was unlikely that other member organizations would accept a diminution of their proportionate representation. The Board believed that its recent practice of reaching decisions and making recommendations to the Assembly by consensus may have lessened, if not eliminated, the need and urgency felt by some in the Fifth Committee to re-consider the proportionate representation of the General Assembly and of other governing bodies in the Board.

195. The Board therefore decided to propose no changes in the size and composition of the Board at the present time. It would keep the subject under review, however, and submit a further report to the General Assembly at its fiftieth session. One representative of the United Nations General Assembly observed that a further increase in the number of members on the Board from the Assembly might be helpful in securing Assembly approval of the Board's recommendations.

196. The Board then agreed on the composition of the Board for its next four regular sessions, which will be reflected in Appendix 1 to the Fund's Rules of Procedure, based on a continuation of the rotation of the member seats allocated to the member organizations among the constituent groups, for those organizations with less than three member seats. It also agreed on the allocation of seats on the 15-member Standing Committee to be elected at each of the regular sessions of the Board, which will be reflected in Appendix 2 to the Fund's Rules of Procedure.

2. Periodicity of Board sessions

197. In 1986, the Board considered whether it should continue to hold annual sessions or hold them biennially. While agreeing that the question merited further consideration on financial and other grounds, the Board decided, at that time, that a session in 1987 was necessary. It reviewed again the question of the periodicity of its sessions, as well as the duration of the sessions, in 1987, taking into account the view of the Committee of Actuaries, endorsed by the Board, that the actuarial valuations of the Fund should continue to be carried out every two years. It noted that, if Board sessions were to take place on a biennial basis, it would have to meet in odd-numbered years, so as to permit timely consideration of the Fund's actuarial valuation and of its proposed budget for the next biennium. The Board decided on that occasion not to have a session in 1988, to set its next regular session for 1989, and to leave the question of the frequency of its subsequent regular sessions for future consideration. The Board also noted that it would, in any event, have to meet in 1990 in view of the comprehensive review of the pensionable remuneration of staff in the Professional and higher categories scheduled for that year. In the light of the experience of the one-week session in 1987, the Board also decided that its future sessions should, in principle, last at least 10 calendar days, with the actual duration of any particular session depending on the agenda.

198. Because of the major studies of pensionable remuneration and of the pension adjustment system undertaken, the Board held three sessions in 1990 and two sessions this year. While some members believed that the Board should meet in 1992, the Board decided that the time had come to adopt a two-year cycle of regular sessions. Accordingly, it proposes to have its next regular session in 1993. The Board also decided to recommend to the General Assembly that the reporting requirement in article 14 (a) of the Regulations be changed from annually to at least once every two years. The text of the proposed amendment is contained in annex XVII below.

199. The Board noted that special sessions of the Board could be convened when needed to deal with unforeseen developments requiring urgent attention between its regularly scheduled sessions. Other matters which should not be delayed for two years, for example, reviews of appeals of decisions on disability claims and on other matters, would be entrusted to the Standing Committee.

H. Administrative expenses

1. Introduction

200. Article 15 of the Regulations of the United Nations Joint Staff Pension Fund provides that:

> "(*a*) Expenses incurred by the Board in the administration of these Regulations shall be met by the Fund.
>
> "(*b*) Biennial estimates of the expenses to be incurred under (*a*) above shall be submitted to the General Assembly for approval during the year immediately preceding the biennium to which the said estimates

relate. Supplementary estimates may similarly be submitted in the first and/or the second year of the biennium to which the budget relates.

"(c) Expenses incurred in the administration of these Regulations by a member organization shall be met by that organization." 13/

201. Pursuant to article 15 (b), the Board submitted revised estimates for 1990-1991 amounting to $32,689,500, consisting of administrative costs of $10,804,100 and investment costs of $21,885,400 (see annex XII below, table 1), and estimates of expenses for the biennium 1992-1993 in the amount of $40,674,300, consisting of administrative costs of $13,210,600 and investment costs of $27,463,700 (see annex XII, table 2). Those expenses are a charge entirely on the Fund and do not, in any way, involve the budget of the United Nations or of any other member organization of the Fund.

202. The administrative expenses in the budget for the 1990-1991 biennium included the costs of implementation in whole or in part of some of the recommendations contained in the comprehensive study of the administrative and operational capacities of the Fund's secretariat carried out by outside consultants in 1989. Most of these expenses related to the costs of the first phase of the project to replace the computer-based systems with a new integrated system, and to the cost of the construction of modular work stations and of the acquisition of the furniture required in order to improve the office accommodations of the Fund's secretariat.

203. The additional resources requested for the biennium 1992-1993 for administrative costs relate, for the most part, to the costs of implementing the next phase of the computer project, to changes in the organizational structure and operations, and to the additional staff resources required to cope with the increasing volume of work.

204. Of the revised administrative costs of $10,804,100 for 1990-1991, $8,266,412 are recurrent costs which amount to approximately 0.14 per cent of the estimated total pensionable remuneration for the biennium. Of the $13,210,600 for administrative costs proposed for 1992-1993, $10,465,456 are recurrent costs which amount to approximately 0.17 per cent of the estimated total pensionable remuneration for that biennium. In the actuarial valuation of the Fund, provision is made for administrative costs of 0.18 per cent of pensionable remuneration. The Committee of Actuaries, when reviewing the assumptions used in the most recent actuarial valuation of the Fund, suggested that a two-tiered approach might be considered as a means for determining the appropriate amount to be included for administrative expenses in future valuations, with account being taken of both the total pensionable remuneration of participants and the total benefit payroll. A determination would have to be made of the weight to be assigned to the two factors. The Committee intends to consider this matter further at its next session.

205. Last year, the Board submitted to the General Assembly, at its forty-fifth session, a progress report on the efforts to improve the administrative and operational capacities of the Fund's secretariat, 14/ dealing, in particular, with the status of the projects to replace the current computer systems and to improve the office accommodations. A further progress report considered by the Board this year formed the basis for the budget

proposals submitted by its Secretary for 1992-1993. Relevant portions of that report are summarized below.

2. Progress report on improvements in the administrative and operational capacities of the Fund's secretariat

Organizational structure and operations

206. In addition to the changes in the organizational structure and operations of the Fund's secretariat reported by the Board last year, 15/ the Pension Services and Benefits Sections were merged into a single Pension Entitlements Section (PES), in order to streamline further and coordinate better the many interrelated responsibilities of these two sections with the objective of expediting the processing of initial benefits. The Records Management and Correspondence Unit was also merged into the Information Management Systems Section (IMSS), bringing together all the Fund's support services, including data processing, file management and electronic imaging, and will facilitate, both technically and administratively, the integration of information retrieval and maintenance.

207. In addition, as a further step in implementing the outside consultants' recommendation to streamline the organizational structure, by reducing and defining more clearly the lines of accountability in the sections reporting to the Chief of Operations, it is proposed to establish a Financial Services Section, which would consist of the existing Accounts, Payments and Cashier entities. Accordingly, the budget proposals for the biennium 1992-1993, include a request for a P-5 post for a Chief of Financial Services Section (see para. 228 below).

208. With these changes, the Operations area would consist of four sections: Pension Entitlements Section, Financial Services Section, Information Management Systems Section, and the Geneva office. The objective of the reorganization, as well as of the consequent changes in staff assignments and in working methods, is to improve the efficiency and effectiveness of the Fund's secretariat by streamlining supervisory controls, minimizing duplication and increasing the versatility of the staff. The proposed new organizational chart is set out in annex XII below.

Computer-based systems

209. The first phase of the project to replace the current computer systems was initiated last year with the delineation of requirements and the development of the logical design for a new integrated system, called PENSYS. A systems analyst and a part-time consultant prepared a draft systems design document. When the new Chief of the Information Management Systems Section (IMSS) was recruited in March 1991, he assumed responsibility for the further development of PENSYS. The logical design document has been completed and will serve as the foundation for all subsequent phases of the project, namely, the physical design of the system, including identification of specific hardware needs, and the programming and implementation phases.

210. The programme specifications will be developed first for the applications designated as having priority, such as the new interactive Benefit Calculation and First Payment systems, as well as the Operations Control system. These priority applications are scheduled for implementation during the second half of 1992. The remaining applications, including a new Periodic Benefit Payment system (Payroll) and an enhanced Accounting system, are planned for implementation by early 1993. Annex XII below provides a summary of all planned developmental activities, with their associated target dates, for the phased implementation of PENSYS.

211. Concurrent with the development of PENSYS, efforts are continuing to integrate application hardware requirements with modern technologies. Voice, data, image, and text will ultimately be integrated into the system. The conversion of the Fund's hard-copy records to an optical-disc medium has been postponed pending the selection of an Optical-disc Based Imaging System (OBIS) which will meet both the current and future needs of the Fund. A formal "Request for proposal" for OBIS was prepared and sent out in April 1991 and seven vendor proposals were received in late May. A task force is reviewing the proposals and it is expected that the selection process will be completed in October 1991.

212. OBIS will make possible the scanning (recording), storage and retrieval of all participants' and beneficiaries' records as well as of other Fund documentation. In addition, it will facilitate an electronic work flow process, virtually eliminating paper. Once the system is operational, all documents, correspondence, forms, etc., will be scanned electronically, combined with previous electronic documentation as required, and placed in an electronic "in-box" for distribution to the section(s) concerned. The system will also provide access for the Geneva office to all images stored in New York. It will provide security of records, reduce space requirements, eliminate the misplacing of files and facilitate electronic work flow processing. In the budget proposals for the biennium 1992-1993, funds are requested to acquire the hardware and software for this project (see para. 231 below).

213. The actual conversion of the Fund's existing records to the new system is scheduled to begin later this year, and is expected to take 9 to 12 months to complete.

Role of the Geneva office

214. The phased enhancement of the role of the Geneva office is continuing. A financial and accounting control system has been developed and installed in order to pay benefits directly from Geneva. The calculation and payment of withdrawal settlements for participants at the United Nations Office at Geneva began in June of this year. The Geneva office will also soon be in a position to make payments from the Emergency Fund for beneficiaries in Europe. In order to improve services to beneficiaries in Europe and in the CFA zone of Africa, the office now implements, directly from Geneva, changes in the payment instructions and/or in the addresses of beneficiaries who are paid through banking arrangements in Geneva (some 7,000 beneficiaries). To extend the arrangements for paying withdrawal settlements to former participants of

other Geneva-based organizations and to make possible the gradual transfer to Geneva of the handling of correspondence from beneficiaries residing in Europe, additional resources will be required. These are requested in the proposed budget for the biennium 1992-1993 (see paras. 228 and 230 below).

Staff development and training

215. A major on-the-job-training effort related to the merger of the Pension Services and Benefits Sections has been initiated, the purpose of which is to develop the knowledge and skills of the staff to enable them to discharge the full range of functions assigned to the new Pension Entitlements Section. In addition, IMSS staff, and some other staff have attended training seminars on the latest computer techniques and languages relevant to the development of PENSYS and OBIS. Training of staff in other areas, for example, in the use of a word-processing programme widely used in the United Nations (Word Perfect), has also begun.

216. There will be a need next year for an in-house training programme on the use of the PENSYS and OBIS. Resources to meet the costs of such training are requested in the budget proposals for the biennium 1992-1993.

Office accommodation

217. Last year, the Board had agreed that the construction of modular work stations to improve the accommodations of the central secretariat should proceed as proposed. The consultative process involved in arriving at an office layout which facilitates work flow while taking into account staff needs for proper lighting, adequate working and storage space, privacy, etc., was lengthy and arduous. Designs for the new arrangements on the sixth and seventh floors of the United Nations Headquarters building have been approved; it is expected that construction will begin in November 1991.

218. Because of the pressure of other work, the Secretary had not been able to carry out the study requested by the Board of possible longer-term solutions to the space problem. The intention is to initiate that study during the second half of 1992. The Board reiterated the importance of eventually finding a longer-term solution to the secretariat's space problems.

Impact on budget proposals

219. There was general recognition in the Board of the need for additional resources in both the administrative and the investment areas, given the significant and continuing changes in the size of the Fund and the scope and complexity of its operations. At the same time, it appreciated that a policy of maximum budgetary restraint had been placed on the member organizations. Some members believed that a phased increase in posts over a number of years might be considered, so as to take into account that the development of the new computer system would result in improved productivity and efficiency of the secretariat.

220. Other members noted that the administrative expenses relate almost exclusively to servicing functions and that therefore the Fund's budget, unlike that of its member organizations and of other inter-agency bodies,

could not include savings through eliminating, deferring, or modifying obsolete or low-priority programmes and activities as a means of controlling cost increases. In this connection, they noted the significant increases, inter alia, in the number of beneficiaries requiring servicing, in the number of studies requested by the Board and in the frequency of changes in the pension system. Two members from ILO, the specialized agency with extensive experience in the social security field, indicated that the provision for administrative costs included in the actuarial valuations of the Fund, namely 0.18 per cent of pensionable remuneration, was much lower than that provided in most social security and pension schemes, which tended to be between 0.6 to 1 per cent of payroll. The Consulting Actuary and the Rapporteur of the Committee of Actuaries also indicated that the administrative budget of the Fund appeared to be lower than those of other pension schemes of comparable size. They also noted, as did the outside consultants in 1989, that the administrative requirements of the Fund were strikingly different from the typical pension plan because of the scope and nature of the Fund's provisions, which cover participants working and beneficiaries residing all over the globe, and therefore involve the determination, adjustment and payment of benefits in multiple currencies under the two-track pension adjustment system.

221. In view of the importance of the administrative and operational reforms, which had been approved in 1989, and the need to ensure efficient and timely services to participants and beneficiaries, the Board agreed to the submission of the budget proposals which it had before it, subject to the addition of certain clarifications and explanations specified by the Board in respect of the budget for the biennium 1992-1993. The budget proposals are set out below.

3. Revised estimates of expenditures for the biennium 1990-1991

222. The revised budget estimates for the biennium 1990-1991, in the amount of $32,689,500, are $2,116,100 higher than the initially approved appropriations of $30,573,400. As can be seen from annex XII below, table 1, administrative costs are increased by $544,700, investment costs by $1,571,400.

223. The increased requirements for administrative costs include: $279,000 to cover the difference between the projected actual costs of established posts and the initial estimates, which had been based on the standard salary costs used by the United Nations in its budget for the biennium 1990-1991; $150,000 for actuarial consulting services for the additional work on a longer-term modification of the pension adjustment system and on the additional projections of cash flow and liabilities required in the preparation of the latest actuarial valuation of the Fund; and total additional costs of $115,700 for temporary assistance ($40,700), overtime ($30,800), travel of staff ($14,600), training ($26,200) and external audit costs ($3,400).

224. The additional resources for temporary assistance and related staff costs of $40,700 are for the employment of two benefit assistants for six months, to carry out part of the work related to the recalculation and payment of some 500 benefits which have to be adjusted because of retroactive changes in the General Service salary scale at a major duty station resulting from an ILO Administrative Tribunal decision. The additional amount of $30,800 for overtime is due mainly to the significant increase in the documentation

required for the Board's five sessions held during the biennium, and to the need to keep pace with the work of enrolling new entrants, processing new benefits and retroactively adjusting many benefits because of changes in pensionable remuneration and other relevant data, as well as in countries of residence. The additional travel resources of $14,600 are required because of the three special sessions of the Board during the biennium. The reimbursement of net additional costs of $3,400 for the external audit were requested by the United Nations in respect of the audits of the Fund during the period from 1987 to 1989.

225. The increased requirements of $1,571,400 for investment costs comprise $1,389,300 for advisory and custodial fees, which are contractually linked to the market value of the Fund's portfolio, and $182,100 for bank charges resulting from transaction fees which had previously been covered by compensatory balances maintained in the Fund's bank accounts.

4. Estimates of expenses for the biennium 1992-1993

226. The budget estimates for the biennium 1992-1993 amount to $40,674,300 net and comprise $13,210,600 for administrative costs and $27,463,700 for investment costs. A detailed comparison with the initially approved appropriations for 1990-1991 is provided in annex XII below, table 2. The staffing table proposed for the biennium 1992-1993 is given in annex XII, table 3.

Administrative costs

227. The estimates of $13,210,600 for administrative costs include a resource growth of $4,120,400, of which $2,617,500 relates to non-recurrent costs: data-processing ($2,574,700) and temporary assistance and related staff costs ($42,800). The recurrent costs of $1,502,900 comprise: established posts and related staff costs ($783,900), data-processing ($636,000), temporary assistance and related staff costs ($19,100), overtime ($47,000) and consultants ($16,900).

228. The resource growth of $783,900 for established posts and related staff costs relates to the addition of three Professional posts (one P-5, one P-4, one P-3) and seven General Service posts (Other level), and the reclassification of three Professional posts. The three new Professional posts requested are: (a) a P-5 post for the Chief of the proposed Financial Services Section; the establishment of that section had been recommended by the outside consultants in 1989 (see 207 and 208 above); (b) a P-4 post in the Office of the Secretary to assist with increasing volume of legal and analytical work related to appeals and correspondence concerning entitlements and to the preparation of studies for the Board and its Standing Committee; (c) a P-3 post for a Finance Officer at the Geneva office, who would be responsible for the monthly payroll and the related accounting and cashier operations of that office, as well as for computer work related to the implementation of the new electronic information systems (see para. 214 above). The classifications of the three proposed Professional posts were confirmed by the Compensation and Classification Section of the Office of Human Resources of the United Nations Secretariat (UN/OHRM).

229. The reclassifications of three Professional posts, which have been confirmed by the United Nations Office of Human Resources Management, are: (a) a P-4 post to the P-5 level for the Chief of the newly created Pension Entitlements Section, based on the additional supervisory and substantive responsibilities arising from the merger of the Benefits Section and the Pension Services Section, and from the consequent changes in the organization of work; (b) a P-3 post to the P-4 level for the Assistant to the Chief of Operations, based on the additional functions arising from the increased responsibilities of the Chief of Operations, including matters related to the implementation of the consultants' recommendations and to the coordination of special projects, for example, the arrangements for restructuring office space, and the relocation of records; and (c) a P-2 post to the P-3 level for the supervisor of the staff in the Records Management and Correspondence Unit, who also participates in the analysis, planning and implementation of work related to the conversion of hard-copy records to the optical-disc medium and the development of enhanced electronic file maintenance and retrieval systems.

230. The seven additional General Service posts requested are:

(a) A secretarial post and a programmer assistant post in IMSS to provide administrative and technical support, including a "Help Desk" facility. The "Help Desk" facility will involve, inter alia, assisting the Fund staff with problems encountered in the extensive day-to-day use of personal computers in the operation of new computer systems, in particular PENSYS and OBIS (see paras. 209 to 213 above);

(b) Two posts in the Pension Entitlements Section to cope with the heavy and continually increasing demands placed on the section as the number of periodic benefits and withdrawal settlements grow (the number of periodic benefits increased by 2,539 over the last two years and the number of withdrawal settlements are currently 3,500 a year), and to provide secretarial and other assistance to the Chief of the section;

(c) Two posts for the Geneva office to provide secretarial assistance and accounting assistance, respectively. The additional secretarial assistance is needed to cope with the increased flow of correspondence: the annual volume of outgoing mail has increased from 1,279 communications in 1988 to 2,128 in 1990 and to a projected 2,680 in 1991. At present the office has only one secretarial post. The accounting assistance is needed to handle the daily payments operation in respect of the preparation of vouchers, recalls of payments, tracing of non-receipts, bank reconciliations, changes of payment instructions, etc. The current volume of these operations will increase with the expansion of the role of the Geneva office. The addition of these two posts and the P-3 post will enable the office to take over, on a phased basis, the payment of withdrawal settlements for participants in the Geneva-based organizations (see para. 214 above);

(d) One post in the Accounts Section to assist with the extensive follow-up work related to the Participants' Reconciliation Exception reports to member organizations. These reports detail the discrepancies between the contribution and pensionable remuneration amounts reported by the organizations, in respect of the participants they employ, in their year-end submissions to the Fund's secretariat. These discrepancies are a major cause for delays in the payment of initial benefits. Recent studies indicated that there is currently a greater than 25 per cent chance that any new retirement benefit or withdrawal settlement will face processing delays because of incomplete or erroneous data transmitted by organizations. There are presently some 10,000 unreconciled discrepancies with approximately 3,800 relating to the 1990 year-end reports and approximately 6,200 from the reports for the period 1978 to 1989.

231. The resource growth of $3,210,700 for data processing comprises $2,574,700 for non-recurrent costs and $636,000 for recurrent costs. The non-recurring expenditures include: (a) $1,607,200 for the acquisition and implementation of the Optical-disc Based Imaging System (OBIS), which is described in paragraphs 212 to 214 above; (b) $600,000 for the conversion of the active participants records to OBIS (the General Assembly had already approved $400,000 in the 1990-1991 budget for converting the retiree records to the optical-disc medium); and (c) a total of $367,500 for: hardware acquisition ($240,000), for software and word-processing conversion ($54,000), and for consulting fees in connection with the programme development of PENSYS ($73,500). The recurrent resource growth of $636,000 relates to the replacement and enhancement of existing hardware and software ($76,000) and to service charges and licence fees related to the use of a relational data-base management system on the United Nations mainframe computer and to the cost of maintenance and technical support for OBIS ($560,000).

232. The resources growth of $61,900 for temporary assistance and related staff costs, of which $42,800 is non-recurrent, are required for peak work-load periods, for replacement of staff on maternity and extended sick leaves and to continue the work related to the large number of benefits, which have to be recalculated because of retroactive changes made in the General Service salary scale at a major duty station due to an ILO Administrative Tribunal decision.

233. The resource growth of $47,000 for overtime is based on the experience during the past biennium and the expected increased volume of work during the forthcoming biennium. Considerable use of overtime is necessary for the extensive data and analyses required by the Board, to the need to reduce the work backlogs that inevitably arise during certain periods, and to the training requirements necessitated by the changes in assignments and the implementation of new computer systems which affect work schedules.

234. The resource growth of $16,900 for actuarial consulting services is based on the additional costs of the valuation which must now take into account two different normal retirement ages in projecting assets and liabilities, and of the expected continuation of the current level of requests for actuarial costs related to reviews of possible changes in the pension system. The estimated requirements cover the services provided by the Consulting Actuary, including the preparation of the actuarial valuation of the Fund as at 31 December 1992 and of related documents, and attendance at regular sessions of the Board and at the Committee of Actuaries.

Investments costs

235. The estimates of $27,463,700 for investments costs include a resource growth of $6,998,800, of which $6,963,800 are to recurrent costs and $35,000 non-recurrent costs. The growth relates, for the most part, to advisory and custodial fees ($6,200,000), established posts and related staff costs ($141,800), new investment information services ($228,000), an additional meeting each year of the Investments Committee ($101,000), and to bank charges ($188,000).

236. The advisory and custodial fees are contractually linked to the market value of the Fund's portfolio. The contract with the custodian is divided into two parts: advisory fees and custodial fees. Based on a projected average market value of the assets of $11,000,000,000 per year, the combined fees will amount to $22,500,000 for 1992-1993, an increase of $6,200,000.

237. The resource growth of $141,800 for established posts and related staff costs results from an additional General Service post (Other level) and from the reclassification of two Professional posts. The General Service post is for an Administrative Assistant in the Investment Unit, who would carry out functions connected with the Investments Committee and other administrative work. These functions had previously been discharged by one of the Investment Officers. The two reclassifications are: (a) one P-4 post to the P-5 level for the Chief of the Operations Unit: in recognition of the added responsibilities arising from the substantial growth in the Fund's assets, to the increases in the number of countries and currencies in which the Fund is invested and in the number of transactions and collections of income, and to the establishment of the network of custodians that requires multi-currency accounts and more complex functions; and (b) one P-3 post to the P-4 level for the post of an Investment Officer: in recognition of the increased number of markets to be monitored and the complexity of the tasks involved. These reclassifications have been confirmed by the United Nations Office of Human Resources Management.

238. The resource growth of $228,000 for investment reference services is for new information services that provide access to computer databases, which would improve the productivity of the Investment Officers and the quality of investment decisions, as well as the timeliness of those decisions and their recording.

239. The resource growth of $188,000 relates to bank charges which are included for the first time in the budget on the recommendation of the Board of Auditors. Previously, such charges had been included under the item "loss (gain) on exchange" in statement II of the financial statements. These costs will be more than offset by interest earned on the investment of monies resulting from the reduction in the compensating balances held in banks that provide payment services.

I. Other matters

1. Emergency Fund

240. The Emergency Fund was initially established by the Board in 1973 from voluntary contributions of member organizations, staff associations and individual contributors to alleviate the distress of recipients of small pensions caused by currency fluctuations and cost-of-living increases. Since the introduction of the pension adjustment system in 1975, it has been used to provide relief in individual cases of proven hardship due to illness, infirmity or similar causes.

241. The General Assembly had authorized the Board to supplement voluntary contributions to the Emergency Fund by up to $200,000 for the biennium 1990-1991. During the period 1 May 1990 through 30 April 1991, there were 48 disbursements totalling $30,662. The amounts disbursed over the two-year period, 1 May 1989 to 30 April 1991, totalled $80,176. Total expenditures from 1975 through April 1991 amounted to $535,858.

242. As in the past, the bulk of the disbursements has been to assist in the payment of medical expenses, including hospitalization, and related expenses not reimbursable from other sources. In all cases involving claims for medical expenses not covered by the after-service medical insurance schemes of the member organizations, prior advice of the medical consultant was obtained. Some payments are being made on a continuing basis for home nursing or domestic help required by pensioners and their spouses because of illness and debility. In some instances, payments were made to help cover funeral expenses.

243. As there is a continuing need for the Emergency Fund, the Board recommends that it be authorized to contribute up to $200,000 to the Emergency Fund in the biennium 1992-1993.

2. Inclusion of references to longevity/merit steps in article 54 of the Regulations of the Fund

244. Last year, the Board considered the existing lacunae in article 54 (b) of the Fund's Regulations, the provision which defines the pensionable remuneration of participants in the Professional and higher categories. The Board noted, *inter alia*, that the article did not cover the longevity and/or merit steps granted by some member organizations to their staff, which go beyond the maximum step in the scale of pensionable remuneration and are pensionable. Such additional longevity/merit steps were granted by the World Health Organisation (WHO) (seven steps) and the International Labour Organisation (two steps) under their respective staff regulations and Rules.

245. Noting that the subject would be addressed by ICSC, the Board last year deferred further actions on possible changes in the Regulations, pending the outcome of the ICSC consideration.

246. At its July 1990 session, ICSC decided to request the Executive Heads of WHO and ILO to bring to the attention of their respective legislative bodies the issue of the additional steps granted under their Staff Regulations and

Rules "beyond the salary scales of the Professional and higher categories of staff approved by the General Assembly", and recommended their replacement by one-time non-pensionable cash awards to reward merit. The General Assembly, in section VI, paragraph 1, of its resolution 45/241,

> "Urges the governing bodies of the International Labour Organisation and the World Health Organization to take the necessary measures to bring their salary scales into line with those of the other organizations of the common system, as recommended by the International Civil Service Commission."

247. The Board was informed that the WHO Executive Board would consider the matter in January 1992 and the ILO governing body would be seized of the matter "at a later stage", based on a review to be prepared by the ILO Director-General. The representative of the Director-General of WHO noted that, although the ICSC decision only referred to additional steps granted to staff in the Professional and higher categories, in WHO such steps often were granted also to staff in the General Service category. He stressed that the additional steps were granted by WHO for meritorious service, not merely for longevity. A paper was under preparation by the WHO administration, analysing the complex issues involved, for presentation to the WHO Executive Board.

248. The Board decided to maintain the current situation for the time being, namely, to recognize tacitly the additional steps granted by some member organizations of the Fund, and to reconsider the matter on the basis of future action by the governing bodies of WHO and ILO.

Notes

1/ See Regulations and Rules of the United Nations Joint Staff Pension Fund (JSPB/G.4/Rev.14, article 12).

2/ *Official Records of the General Assembly, Forty-fifth Session, Supplement No. 9* (A/45/9), para. 20.

3/ Ibid., paras. 154 to 167.

4/ Ibid., *Forty-sixth Session, Supplement No. 30* (A/46/30).

5/ Ibid., *Forty-fifth Session, Supplement No. 9* (A/45/9), annex IV.

6/ Ibid., *Supplement No. 30* (A/45/30), chapter III, para. 49.

7/ Ibid., *Supplement No.9* (A/45/9), annex IV.B.

8/ Ibid., A/45/699, paras. 26 and 27.

9/ Ibid., A/C.5/45/77, annex 6.

10/ Ibid., A/C.5/45/76, annex.

Notes (continued)

11/ Ibid., Supplement No. 9 (A/45/9), paras. 80-83.

12/ Ibid., paras. 106 and 107.

13/ See Regulations and Rules of the United Nations Joint Staff Pension Fund (JSPB/G.4/Rev.14).

14/ *Official Records of the General Assembly, Forty-fifth Session, Supplement No. 9* (A/45/9), paras. 140-151.

15/ Ibid., paras. 140-142.

ANNEX I

Statistics on the operations of the Fund for the year ended 31 December 1990

Table 1. Number of participants as at 31 December 1990

Member organization	Participants as at 31 December 1989	New entrants	Transfers in	Transfers out	Separations	Participants as at 31 December 1990
United Nations	29 468	3 908	107	(143)	(2 712)	30 628
ILO	3 160	509	28	(32)	(376)	3 289
FAO	6 955	874	20	(45)	(701)	7 103
UNESCO	2 861	264	7	(8)	(182)	2 942
ICAO	1 076	124	4	(2)	(140)	1 062
WHO	6 091	757	45	(25)	(521)	6 347
ITU	1 031	104	1	(10)	(142)	984
WMO	406	54	5	(4)	(47)	414
IMO	327	44		(5)	(36)	330
WIPO	358	61	11	(6)	(29)	395
IFAD	251	24	-	(6)	(8)	261
UNIDO	1 857	323	75	(21)	(175)	2 059
IAEA	1 939	174	5	(8)	(124)	1 986
ICITO/GATT	410	35	14	(7)	(23)	429
ICCROM	24	5	-	-	(3)	26
EPPO	8	-	-	-	-	8
TOTAL	56 222	7 260	322	(322)	(5 219)	58 263

Table 2. Benefits awarded to participants or their beneficiaries during the year ended 31 December 1990

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement		Child's benefit	Widow's and widower's benefits	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
				under 5 years	over 5 years							
United Nations	318	212	58	1 527	419	399	47	15	14	2	74	3 085
ILO	62	24	23	219	31	60	6	2	3	0	4	434
FAO	90	64	37	369	105	104	15	3	6	0	8	801
UNESCO	62	20	5	58	17	52	8	0	3	0	8	233
ICAO	19	11	8	66	26	16	2	1	0	0	7	156
WHO	85	42	18	277	81	112	8	4	2	0	5	634
ITU	24	9	4	89	14	9	1	0	1	0	0	151
WMO	7	1	2	26	8	9	1	0	1	0	1	56
IMO	6	2	5	15	7	1	0	0	0	0	2	38
WIPO	7	0	0	14	3	3	2	0	0	0	3	32
IFAD	2	0	0	3	3	1	0	0	0	0	0	9
UNIDO	15	9	4	104	23	15	3	1	2	0	11	187
IAEA	21	7	7	63	9	4	2	1	2	0	10	126
ICITO/GATT	2	1	1	13	5	6	0	0	0	0	0	28
ICCROM	0	0	0	3	0	0	0	0	0	0	0	3
EPPO	0	0	0	0	0	0	0	0	0	0	0	0
Total	720	402	172	2 846	751	791	95	27	34	2	133	5 973

Table 3. Analysis of periodic benefits as at 31 December 1990

Participants or their beneficiaries

Type of benefit	Total as at 31 December 1989	New	Benefits discontinued, resulting in award of survivor's benefit	All other benefits discontinued	Total as at 31 December 1990
Retirement	9 888	720	(138)	(73)	10 397
Early retirement	5 024	404	(56)	(25)	5 347
Deferred retirement	5 232	173	(14)	(53)	5 338
Widow	3 613	79	210	(58)	3 844
Widower	162	16	14	(7)	185
Disability	581	34	(18)	(12)	585
Child	5 019	791	-	(656)	5 154
Secondary dependant	47	2	2	-	51
Total	29 566	2 219	0	(884)	30 901

ANNEX II

Audit opinion, financial statements and schedules for the year ended 31 December 1990

A. Audit opinion

We have examined the appended financial statements numbered I and II, properly identified, the notes to them and relevant schedules, of the United Nations Joint Staff Pension Fund for the financial period ended 31 December 1990. Our examination included a general review of the accounting procedures and such tests of the accounting records and such other supporting evidence as we considered necessary in the circumstances.

We did not physically inspect and count the securities of the investments account amounting to $8,279,938,669 held by an independent custodian as of 31 December 1990. These securities were examined by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein in so far as it relates to the investments account is based solely upon the report of these auditors.

As a result of our examination and the report of other auditors referred to above, we are of the opinion that the financial statements of the United Nations Joint Staff Pension Fund present fairly the financial position as at the end of the period and the results of its operations for the period then ended.

The financial statements were prepared in accordance with the generally accepted accounting principles, which were applied on a basis consistent with that of the preceding financial period. The transactions were in accordance with the Financial Regulations and legislative authority.

(*Signed*) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany

(*Signed*) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(*Signed*) Osei Tutu PREMPEH
Auditor-General of Ghana

1 July 1991

B. United Nations Joint Staff Pension Fund

Notes on the financial statements for the year ended 31 December 1990

Summary of significant accounting policies

The following are some of the significant accounting policies of the United Nations Joint Staff Pension Fund.

1. Investments

Investments are recorded at cost using commercial historical exchange rates instead of United Nations operational rates of exchange. Interest income is recorded on an accrual basis. No provision is made for amortization of premium or discount which is taken into account as part of the gain or loss when investments are sold; dividends are included in income on a cash basis; realized profits and losses are shown on a net basis. Refunds on foreign taxes withheld are recorded as income in the year during which they are received.

2. Contributions

Contributions received from participants, member organizations and other funds are recorded on an accrual basis.

Contributions refunded to member organizations are recorded on a cash basis.

3. Benefits

Payment of benefits including withdrawal settlements is recorded on an accrual basis.

4. Principal of the Fund

The principal of the Fund represents the active participants' contributions plus interests, together with the balance of equity of the Fund.

5. Emergency Fund

Appropriation is recorded when the authorization is approved by the General Assembly; payments are charged directly against the appropriation account; any unexpended balance is reverted to the Pension Fund at the end of the year.

6. Administrative Expenses

In accordance with article 15 (b) of the Regulations of the Fund, the administrative expenses of the Fund are estimated and approved on a biennial basis.

Explanatory note

Cash balances and bank overdraft

The Fund, for purposes of investments and payment of benefits, maintains a number of bank accounts. Cash accounts with positive balances at the year-end are totalled and shown as "Cash in banks", while those with negative balances are totalled and shown as "Bank overdraft".

STATEMENT I

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of assets and liabilities as at 31 December 1990 with comparative figures as at 31 December 1989

(United States dollars)

		1990	1989
Assets			
Cash in banks		6 626 226	4 011 477
Contributions receivable from member organizations		50 915 104	29 397 022
Accounts receivable		504 196	298 080
Accrued income from investments		177 606 623	138 083 819
Receivable from investments sold		2 123 244	24 986 377
Investments (schedules 2, 3 and 4)			
Temporary investments - at cost (market value: 1,233,759,313)	1 232 763 834		
Bonds - at cost (market value: 3,659,251,856)	3 446 948 434		
Stocks & convertible bonds - at cost (market value: 3,243,668,461)	2 766 536 623		
Real estate & related securities - at cost (market value: 968,638,820)	833 689 778	8 279 938 669	7 420 459 196
Prepaid benefits		11 597 538	9 572 630
		8 529 311 600	7 626 808 601
Liabilities and principal of the Fund			
Benefits payable		14 372 902	11 255 976
Held in Trust		-	130 000
Payable for securities purchased		33 338 136	31 629 971
Other accounts payable		3 491 745	4 201 243
Principal of the Fund		8 478 108 817	7 579 591 411
		8 529 311 600	7 626 808 601

Certified correct:

(Signed) J. Richard FORAN
Assistant Secretary-General
Representative of the Secretary-General
for the Investments of the
United Nations Joint Staff Pension Fund

(for investments of the Fund only)

(Signed) Raymond GIERI
Secretary
United Nations Joint Staff
Pension Board

1 May 1991

STATEMENT II

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of source and application of funds for the year ended 31 December 1990 with comparative figures for the year ended 31 December 1989

(United States dollars)

Source of funds	1990	1989
Participants:		
Contributions under article 25 (a)	194 731 267	159 311 888
Additional contributions with interest to make prior service contributory	512 897	332 296
Repayment of benefits with interest to restore prior contributory service	1 975 300	2 122 835
	197 219 464	161 767 019
Member organizations:		
Contributions under article 25 (a)	389 462 535	318 623 777
Additional contributions with interest to make prior service contributory	1 153 152	850 599
	390 615 687	319 474 376
Amounts received from non-member organizations for participants transferred under agreements	447 213	760 209
Receipts of excess actuarial cost over regular contributions with interest to make prior service contributory	220 411	140 990
Investment income:		
Interest earned	409 410 638	318 317 603
Dividends	98 467 440	85 191 481
Real estate and related securities	45 709 421	54 313 189
Profit (net) on sales of investments	278 868 682	277 270 915
	832 456 181	735 093 188
Total	1 420 958 956	1 217 235 782

STATEMENT II (continued)

Application of funds	1990	1989
Payment of benefits:		
Withdrawal settlements and full commutation of benefits	31 136 167	26 873 042
Retirement benefits	256 190 331	216 478 380
Early and deferred retirement benefits	153 341 802	134 381 972
Disability benefits	12 387 535	11 008 719
Death benefits (other than to children)	41 976 103	35 678 578
Children's benefits	7 705 730	6 909 622
Loss (gain) on exchange	2 555 820	128 820
	505 293 488	431 459 133
Amounts remitted to non-member organizations and Governments for participants transferred under agreements	4 124 342	5 071 186
Contributions refunded to member organizations under article 26 of the Regulations as at 31 December 1982	11 729	7 567
Administrative expenses:		
Administrative costs	3 928 063	3 551 523
Investment costs chargeable to gross income from investments	9 171 166	8 787 091
	13 099 229	12 338 614
Emergency Fund	28 720	56 996
Adjustments to prior year benefits (net)	(115 957)	(515 003)
Transferred to principal of the Fund	898 517 405	768 817 289
Total	1 420 958 956	1 217 235 782

Certified correct:

(*Signed*) Raymond GIERI
Secretary
United Nations Joint Staff
Pension Board

1 May 1991

SCHEDULE 1

Schedule of administrative expenses for 1990 and 1989

(United States dollars)

	1990	1989
Administrative costs		
Established posts	2 365 956	2 043 848
Overtime and temporary assistance	91 161	120 514
Common staff costs	809 076	687 912
Training	2 133	0
Actuarial consulting services	257 350	240 395
Consultants	11 000	3 250
Travel of staff	76 334	34 259
Committee of Actuaries	24 355	14 028
Data processing costs	183 253	347 379
External audit	12 780	10 020
Computer services rendered by the United Nations	20 000	20 000
Communications services	5 000	5 000
Hospitality	4 227	4 742
Miscellaneous charges	36 475	20 176
Office furnishings	28 963	0
Total	3 928 063	3 551 523
Investment costs		
Established posts	663 056	593 233
Overtime and temporary assistance	9 437	21 914
Common staff costs	287 606	187 313
Training	1 475	10 336
Custodial services and investment counsel	7 730 184	7 624 670
Consultants	102 332	65 602
Travel of staff	57 758	49 894
Investments Committee	155 090	124 901
Data processing costs	20 970	23 700
Communications services	14 922	11 310
Hospitality	2 248	1 767
Miscellaneous charges	23 880	19 010
Bank charges	102 208	53 442
Total	9 171 166	8 787 092

SCHEDULE 2

Summary statement of investments as at 31 December 1990

(Thousands of United States dollars)

Investments	Balances - at cost		1990 income		
	1 January 1990	31 December 1990	Profit or (loss) on sales	Dividends or interest	Total
Bonds (United States dollars)	1 470 287	1 269 188	(3)	130 822	130 819
Stocks and convertible bonds (United States dollars)	1 012 341	1 147 413	95 006	45 551	140 557
Bonds (other currencies)	1 794 737	2 177 760	63 315	190 139	253 454
Stocks and convertible bonds (other currencies)	1 530 838	1 619 124	99 432	52 917	152 349
Real estate and related securities (United States dollars and other currencies)	840 154	833 690	6 309	45 709	52 018
Temporary investments (United States dollars)	474 488	455 371	831	29 528	30 359
Temporary investments (other currencies)	297 614	777 393	13 979	58 921	72 900
Total portfolio	7 420 459	8 279 939	278 869	553 587	832 456

SCHEDULE 3

Comparison of cost value and market value of investments as at 31 December 1989 and 31 December 1990

(Thousands of United States dollars)

Investments	31 December 1989			31 December 1990		
	Cost	Percentage of total cost value	Market value	Cost	Percentage of total cost value	Market value
Bonds (United States dollars)	1 470 287	19.8	1 532 295	1 269 188	15.3	1 313 512
Stocks and convertible bonds (United States dollars)	1 012 341	13.6	1 517 383	1 147 413	13.9	1 429 921
Bonds (other currencies)	1 794 737	24.3	1 873 169	2 177 760	26.3	2 345 740
Stocks and convertible bonds (other currencies)	1 530 838	20.6	2 174 966	1 619 124	19.6	1 813 747
Real estate and related securities (United States dollars and other currencies)	840 154	11.3	993 895	833 690	10.0	968 639
Temporary investments (United States dollars)	474 488	6.4	472 397	455 371	5.5	436 882
Temporary investments (other currencies)	297 614	4.0	316 307	777 393	9.4	786 878
Total portfolio	7 420 459	100.0	8 880 412	8 279 939	100.0	9 095 319

SCHEDULE 4

Summary of outstanding tax refunds as at 31 December 1990

Source		Local currency						Exchange rate in effect 31 December 1990	Equivalent in United States dollars
		Prior to 1986	1987	1988	1989	1990	Totals		
Australia	$A			146 831	216 831	200 000	563 662	1.2967	434 690
Austria	S				943 500	2 090 517	3 034 017	10.5648	287 182
Belgium	BF				872 222		872 222	30.9067	28 221
Finland	Fmk			13 429	43 788	118 162	175 379	3.6250	48 380
France	FF				139 125	7 357 000	7 496 125	5.1026	1 469 079
Germany	DM					189 178	189 178	1.4970	126 371
India	RS		126 499	514 520	481 580	574 381	1 696 980	18.1140	93 683
Italy	Lit	306 666 000	112 317 157	208 073 527	272 561 334	217 665 114	1 117 283 132	1 129.0155	989 608
Japan	Y					20 520 000	20 520 000	135.7098	151 205
Malaysia	$M	594 183	393 108	479 014	512 470	1 049 046	3 027 821	2.6995	1 121 623
	$S			11 685	4 463		16 148	1.7375	9 294
Mexico	$Mex	234 248 085	216 454 753	86 915 302	107 344 129		644 962 269	2 949.2228	218 689
	$US					23 835	23 835	1.0000	23 835
Netherlands	F	3 679	2 556		322 557	1 565 470	1 894 262	1.6890	1 121 529
New Zealand	$NZ		25 099				25 099	1.6990	14 773
Philippines	P	768 750		150 000			918 750	26.8394	34 231
	$US				4 471	7 568	12 039	1.0000	12 039
Singapore	$S	(680)		43 200	66 211	520 839	629 570	1.7375	362 342
	$M	112 000	40 000				152 000	2.6995	56 307
Spain	Ptas	109 254 429	42 028 325	50 274 892	59 832 362	76 534 693	337 924 701	95.5492	3 536 656
Switzerland	SwF			475 503		1 941 014	2 416 517	1.2798	1 888 199
Thailand	B				2 180 553	2 087 242	4 267 795	26.7668	159 444
United Kingdom of Great Britain and Northern Ireland	£					43 066	43 066	0.5181	83 123
							Total amount outstanding		12 270 503

ANNEX III

Report of the Board of Auditors to the General Assembly on the accounts of the United Nations Joint Staff Pension Fund for the year ended 31 December 1990

Introduction

1. In accordance with article 14 of the Regulations of the United Nations Joint Staff Pension Fund, the Board of Auditors has audited the accounts of the Fund for the year ended 31 December 1990.

2. The audit was conducted in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. The examination was carried out at the secretariat of the Pension Board and the Investment Management Service at the United Nations in New York.

3. The Board of Auditors continued its practice of reporting the results of specific audits and issuing management letters containing detailed audit observations and recommendations. These audit observations were discussed with the Administration and the Board noted the efforts they have exerted in dealing with the issues raised and the steps they have taken to implement the audit recommendations. This practice once again helped in maintaining a continuous dialogue with the Administration.

4. The present examination did not indicate significant audit findings and recommendations affecting the balances of accounts in the financial statements. Hence, this report covers management issues only.

Follow-up of actions taken on previous audit recommendations

5. Pursuant to paragraph 13 (a) of General Assembly resolution 45/235 of 21 December 1990, the Board conducted an evaluation on the efficacy of implementation of previous audit recommendations. The Board was able to evaluate the steps taken by the Administration to implement its previous recommendations. However, at this time no evaluation was made of measures taken for recommendations which have only been partially implemented during the course of the audit or that are yet to be implemented.

6. The Board noted a considerable reduction in outstanding tax refunds which was attributed to the collection efforts exerted by the Administration, the gradual divestment of the Fund's holdings in countries that do not grant tax exemption to the United Nations, and the agreement obtained from two countries to grant tax exempt status to the United Nations, and assurances obtained also from two countries to refund taxes withheld since 1986.

7. The recommendation pertaining to the improvement of systems on pension benefits have been initially addressed with the progress made towards development of an integrated computerized system called the United Nations Joint Pension Administration System (PENSYS). This system, if effectively

developed and implemented, may not only ensure prompt payment of benefits and crediting of remittances but may improve built-in checks and controls within the system.

8. The recommendations which need further improvement are those pertaining to guidelines on limits in the amount of holdings on investment trusts, special country funds and real estate investments and the delay in remittances by organizations. The Board noted some efforts exerted in these two areas, however, these have remained to be audit findings for the current year as will be discussed later in this report.

Summary of recommendations

9. The Board recommends that the following corrective actions, presented in order of priority, be taken:

(a) The incurrence of bank overdraft should be avoided to prevent unnecessary interest expenses. There should be closer coordination by the officers responsible for transfer of funds such as the Payment Section, the Cashier Section, the Investment Management Service (IMS), and the Fiduciary Trust Company International (para. 32);

(b) Efforts should be exerted in collecting the corresponding interest or encouraging early remittances from organizations that have delayed their remittance of contributions pursuant to administrative rule No. D.5 (para. 35);

(c) The new IMS Policies and Procedures Manual should be improved to incorporate the following:

(i) The guidelines and procedures to be observed in the purchase and sale of bonds and temporary investments (para. 18);

(ii) A provision on the limit on the maximum size of holdings in real estate related investments (para. 18);

(iii) A statement on the exemption of Governments and government agencies from the 5 per cent limitation of bond holdings (para. 22);

(d) There should be strict adherence to the requirements and documentation procedures when purchase or sale of investments are being made (para. 26).

Summary of findings

10. The new IMS Investments Policies and Procedures Manual dated January 1990 does not provide for procedural guidelines in the purchase and sale of bonds and temporary investments. Also, the IMS has no provision for a maximum percentage of a particular real estate fund which the Fund may hold (paras. 15 to 17).

11. Bond Holdings in four bond issuers exceeded the 5 per cent limit set in the IMS manual (paras. 19 to 21).

12. No equity purchase recommendation was prepared for the purchase of 250,000 shares of Mexico Equity and Income Fund (MEIF) (paras. 23 to 25).

13. Interest expense was unnecessarily incurred due to overdraft balances (paras. 27 to 31).

14. Some of the 19 organizations made late remittances of their contributions (paras. 33 to 34).

Management issues

Investments

Deficiencies of the new IMS Policies and Procedures Manual

15. The IMS Policies and Procedures Manual is primarily intended for the information and guidance of those who are involved in the investment of funds. It is also a convenient tool in understanding the operations of the Investment Management Service.

16. When reviewed, the IMS Manual, particularly sections 4.00 to 4.04 thereof, does not prescribe procedures for the authorization and execution of purchase and sale of bonds and temporary investments.

17. Likewise, the Board noted that the IMS Manual does not specify the maximum percentage of a particular real estate fund that the Fund may hold.

18. Hence, the Board recommended, and the Administration confirmed, that the IMS Manual should be revised to provide for general procedures and/or guidelines for the authorization and execution of purchase and sale of bonds and temporary investments. In addition, it was suggested that a revision be made to provide for the maximum percentage of a particular real estate fund that the Fund may hold.

Investments in bonds exceeded the 5 per cent limit set in the IMS Manual

19. A review made on the investment in bonds showed that the total investments in some bond issues exceeded the 5 per cent limit set in the IMS Manual. Investment in bonds made with two Governments, Emprunt d'état in France and International Bank for Reconstruction and Development showed that the bond holdings of the Fund ranged from 6 per cent to 14 per cent of the total bond portion of the Fund.

20. Section 2.042 (c) of the Manual provides that the holdings of a single corporate issuer should not exceed 5 per cent of the bond portion of the Fund at the time of its purchase. In general, no bonds with a quality rating below "A" by a recognized rating service should be purchased. Where ratings are not available, the Chief, IMS, upon the advice of the Global Investment Advisor, shall determine whether the bond meets these criteria. As regards bonds issued by sovereign States or guaranteed by sovereign States, the rating could be lower than single "A".

21. The Administration explained that the limit of 5 per cent set out in the Manual applies to a corporate issuer and not to Governments or government agencies. A careful study of the IMS policy indicated that there is no specific provision for the exception on the limit holdings for Government or government agencies. Although it was noted that in the IMS Manual, Governments and government agencies are exempted from the "A" rating criteria.

22. Hence, if the intention of the policy is to exempt Governments and government agencies from the limitation on bond holdings, then, the manual should be revised to provide explicitly for such exemption.

Undocumented investment recommendation for the purchase of stocks

23. In the review of the purchase and sale of United States and non-United States stocks amounting to $US 3 million and above, it was noted that no Equity Purchase recommendation was prepared for the purchase of 250,000 shares of Mexico Equity and Income Fund (MEIF).

24. The IMS Manual provides that one criteria in making a good investment decision is to research carefully and document investment recommendations. Likewise, the manual provides that all orders to purchase or sell are to be confirmed in writing to the Global Investment Advisor.

25. The Equity Purchase or sale recommendation contains fundamental and technical analysis of the proposed action, as approved by the IMS Chief and confirmed by the Representative of the Secretary-General. Hence, this form not only serves as a control mechanism when investments are made but it details the information used as bases for making investment decisions.

26. In a particular transaction involving the purchase of shares of MEIF, only an order form was prepared. Although the order form signifies authorization to proceed with the proposed purchase, the required written technical analysis and recommendation to document the justifications for the transaction should still be prepared, as required in the procedures manual.

Cash management

Unnecessary incurrence of interest expense due to bank overdrafts

27. Unnecessary interest expense was incurred due to overdrafts on the United States dollar and Swiss franc accounts with the Union Bank of Switzerland (UBS) and the Canadian dollar account with the Royal Bank of Canada (RBC).

28. A review of the bank statements of Union Bank of Switzerland (United States dollar account) for the period from January to December 1990 showed overdraft balances ranging from $US 7,337,413 to $12,462,263. Owing to these bank overdrafts, UBS directly charged the Fund for interest expenses.

29. Analysis of transactions with UBS showed two reasons for the incurrence of overdrafts in bank balances. The first is when fund transfers with a value date as of the last day of the month are credited by the bank only on the first day of the following month. The second reason, for the overdraft, is when payments exceed credits in the bank account for a particular month.

30. The total amount of interest expense charged by the Union Bank of Switzerland and later credited back on the United States dollar account as at 31 December 1991 are as follows:

Quarter	Overdraft interest charged by Bank	Amount refunded by Bank	Difference
	(United States dollars)		
First	8 939 3 521	3 133	9 328
Second	522 3 264	3 264	522
Third	4 076	4 076	-
Fourth	6 462	-	6 462
Total	26 784	10 473	16 312

From these, it can be surmised that interest charges which are immediately debited by the Bank are refunded in subsequent quarters, but not for the total amount of the interest. As shown in the table above, only $10,473 out of $26,784 interest charges were refunded as at 31 December 1990. Subsequently, on 31 March 1991, UBS refunded the amount of $6,254, leaving a net interest expense of $10,058.

31. On the Swiss franc account with the UBS, an interest on overdraft amounting to SwF 19,971 was also charged by the bank due to delays made by the Fiduciary Trust Company International (FTCI) in transferring funds. The FTCI, however, reimbursed the Fund for the whole amount on 22 March 1991.

32. The Board recommended, and the Administration confirmed that the monitoring of bank balances, especially for bank transfers at the end of each month, should be closely coordinated among those responsible for the transfer of funds such as the Payments Section, the Cashier Section, the IMS and the Fiduciary Trust Company International. Lack of coordination on the part of these responsible officials will cost the Fund in terms of unnecessary interest expenses.

Delayed remittance of contributions

33. During the year, an observation was made on the considerable improvement in the promptness of remittances of contributions by member organizations. It was observed that only six out of 19 organizations were late in remitting their monthly contribution in some months of the year. Of the six organizations, three compensated their delay by making earlier remittances in an earlier or subsequent period. Whereas, two others remitted on the due date but after the cut-off hour and one actually paid the amount of interest that would have been earned from the remittance if deposited promptly.

34. In financial terms, the amount of delayed remittance involved is $US 5,805,491. Of this amount, $52,828,026 was compensated either by early remittance in another period or by payment of interest for the delay. The remaining $2,977,466 was not compensated, resulting in opportunity loss in terms of interest income for two days amounting to $646 if computed on a straight regular interest bank rates.

35. The Board recommends that interests corresponding to the amount of the delayed remittance should be collected from organizations which have not compensated for the delay in accordance with administrative rule No. D.5. Also, there should be closer monitoring of remittances of contributions since these activities when neglected result in actual opportunity losses.

Write-off of receivables

36. The Administration informed us that during the year 1990 no write-off of uncollectibles was made.

Cases of fraud and presumptive fraud

37. The Board did not find indication that any official of any office of the United Nations Joint Staff Pension Fund is found to have acted intentionally, by commission or omission, that is contrary to the Regulations and Rules of the Fund and the Administration Manual and Financial Rules or to the administrative instructions issued in connection therewith.

Acknowledgement

38. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to the external auditors in the course of the audit by the Secretary of the United Nations Joint Staff Pension Board, the United Nations Controller, the Representative of the Secretary-General, all the senior officials and staff.

(*Signed*) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany

(*Signed*) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(*Signed*) Osei Tutu PREMPEH
Auditor-General of Ghana

ANNEX IV

Extract from the document submitted to the Board at its forty-third session a/ on some methodological issues involved in determining the pensionable remuneration and pensions of General Service staff in accordance with local practice

"22. Information on the pension/social security schemes applicable to employees of the surveyed employers at the seven headquarters locations and at a number of field duty stations was collected with the assistance of the United Nations and UNDP, on the basis of which some initial observations can be made:

"(a) Where social security schemes exist, they were applicable to the employees of the surveyed employers. In order to quantify the value of the social security benefits, an appropriate methodology would have to be developed. As the provisions of the social security schemes vary from country to country, it would not be possible to have a single methodology applicable for all locations;

"(b) Pension/retirement plans, as such, are not offered by many of the surveyed employers. Where they exist, the plan provisions vary markedly, not only from duty station to duty station, but also from employer to employer in a given location. The pension plans of private firms are usually defined contribution schemes rather than defined benefit schemes, with the latter being prevalent in public service entities. Consequently, benefit quantification and comparison methodologies would have to be developed, and would vary from duty station to duty station. In addition, an appropriate methodology would have to be developed to aggregate the results of the benefit quantifications for the employers at each location;

"(c) The information currently available on social security schemes and the pension/retirement schemes is not comprehensive enough to even begin efforts to develop the various methodologies outlined in (b) and (c) above. To obtain sufficient information and to develop appropriate methodologies to assess and quantify the information would be difficult, time-consuming and costly;

"(d) An actuarial basis for assessing the costs of the various benefit schemes to the individual employers, and of consequently providing comparable schemes to the United Nations system, would have to be developed.

"23. In the absence of benefit quantification methodologies and actuarial costing arrangements, no definitive conclusions could be drawn from the data currently available as to whether United Nations system pensions at the duty stations examined tend to be better, comparable, or inferior to those accruing to outside employees under the pension/retirement schemes and/or social security schemes applicable to them, except in those instances where the surveyed employers did not have pension schemes and/or there was no national social security scheme.

"24. The fundamental question to be addressed at this stage is whether to embark on the collection of the detailed information required, in future surveys of best prevailing conditions of employment both at headquarters duty stations and at other duty stations, and on the development of benefit quantification and costing methodologies. As indicated earlier, this would be an expensive, difficult and time-consuming task, the outcome of which would be highly dependent on the degree of cooperation of surveyed employers at each location and on the degree of acceptance of the methodologies developed. Before embarking on such a course of action it would seem appropriate to consider some important policy questions.

"25. Firstly, should the United Nations have a variety of pension schemes, according to the category of staff and duty station? If the answer is in the affirmative, the administrative and financial implications of having a multitude of schemes, instead of a single fully-funded pension system, would have to be examined. What would be the cost implications for the current pension scheme if General Service staff were excluded from coverage under that scheme? If a separate scheme or schemes were to be developed for General Service staff, should it be a defined benefit scheme, a defined contribution scheme, a savings plan, or a provident fund? If the provisions of such schemes follow local practice, what would be the administrative and financial implications of developing, monitoring and adjusting over time many schemes for the General Service staff, and a universal pension scheme for Professional staff? At the Commission's March session, the view was expressed that 'in the event the local practice approach resulted in little or no pension, that could be remedied by offering a generous minimum pension.' b/ How would this be done? Through the universal pension scheme or would separate minima have to be established for such locations, according to the General Service schemes applicable at other locations?

"26. Before embarking on such a fundamental and sweeping overhaul of the current pension arrangements, consideration should also be given to the interpretation issues which would arise if General Service pension arrangements were to be determined by reference to local practice, including the following:

"(a) At each duty station, how would the employers to be surveyed be selected? On the basis of the salaries they pay or their total remuneration packages? The group of employers in the top quartile, under the 75th percentile method currently used at the headquarters locations, may offer attractive salaries but meagre or no pension benefits. On the other hand, those in the second strata may offer lower salaries but attractive pension benefits. Consequently, those below the 75th percentile could, on an overall basis, be better employers then those in the top quartile;

"(b) Another important issue would relate to the measures to be taken as a consequence of the total compensation comparisons at each duty station. If it were determined that the United Nations retirement benefit was better than that provided by the surveyed employers whose salaries were used to determine United Nations salaries at a given location, what action should or would be taken? Should the United Nations retirement benefits be reduced or should the salary be adjusted downward so that, on an overall basis, the conditions of service of the United Nations staff and those applicable to the employees of the surveyed employers would be comparable in general? The reverse of this situation would also arise at some locations. If it were found that the outside employers, in addition to paying salaries comparable to those paid to United Nations staff, were offering better pension benefits, should the United Nations pensions be improved or should the salaries be increased in order to provide comparability in remuneration package?

"27. An important non-technical issue, which should not be under-estimated, is the impact that withdrawing the General Service staff from the universal pension arrangements would have on staff morale and staff/management relations. A multitude of schemes with different provisions for General Service staff, which in most locations are likely to take the form of a provident fund, and a universal defined benefit scheme for Professional staff, could create unnecessary and costly divisions and dissension within the international civil service.

"28. In summary, if it is decided to embark on a locality by locality approach to the determination of General Service pensions, an ambitious programme of data collection, methodological studies, and administrative and financial implications studies would have to be formulated. It would seem that such an endeavour would require at least five years before conclusions could be reached, if not longer, considering the experience with the total compensation comparison methodology for staff in the Professional and higher categories, under which only one comparator is involved."

Notes

a/ ICSC/34/R.9, paras. 22-28.

b/ ICSC/33/R.16, para. 81.

ANNEX V

Update of annual pensionable remuneration of ungraded officials a/

1 July 1990-1 January 1991

(United States dollars)

	1 July 1990	1 November 1990	1 January 1991
A. Executive heads, United Nations Director-General and UNDP Administrator			
United Nations			
Secretary-General b/			
Director-General	149 110	156 864	163 960
UNDP Administrator	149 110	156 864	163 960
FAO	222 922	234 514	234 514
WHO	181 471	181 471	181 471
UNESCO	181 471	181 471	181 471
ILO	181 471	181 471	181 471
IAEA	181 471	181 471	181 471
UNIDO	181 471	181 471	181 471
ICITO/GATT	155 880	163 986	163 986
IFAD	222 922	234 514	234 514
WIPO	249 982	262 980	262 980 d/
IMO	142 506	149 916	149 916
ITU	147 612	155 288	155 288
WMO	147 612	155 288	155 288
ICAO c/	138 916	146 139	146 139

	1 July 1990	1 November 1990	1 January 1991
B. Other officials			
United Nations - Chairman of the Advisory Committee on Administrative and Budgetary Questions; Chairman, ICSC	120 000	120 000	140 000
Vice-Chairman, ICSC	120 000	120 000	130 000
Members, Joint Inspection Unit	108 143	113 770	113 770
WHO, Deputy Director-General/ Pan American Health Organization, Director	131,750	138,600	138,600
Assistant Director-General/ Pan American Health Organization, Deputy Director	120 800	127 080	127 080
Pan American Health Organization, Assistant Director	117 480	123 590	123 590
ICAO, President of Council	150 797	158 638	158 638
WMO, Deputy Secretary-General	136 435	143 530	143 530
Assistant Secretary-General	126 286	132 853	132 853
ICITO/GATT, Deputy Director-General	131 750	138 599	138 599
ITU, Deputy Secretary-General/directors	136 435	143 530	143 530
Member, International Frequency Registration Board	126 286	132 853	132 853

	1 July 1990	1 November 1990	1 January 1991
C. Officials at the Under-Secretary-General/Assistant Secretary-General levels (and their equivalents)			
Under-Secretary-General	130,560	137 349	137 349
Assistant Secretary-General	120 800	127 082	127 082

a/ The pensionable remuneration amounts for the period 1 January 1981 to 1 July 1990 were given in annex IV of the report of the Board submitted to the General Assembly at its forty-fifth session (Official Records of the General Assembly, Forty-fifth Session, Supplement No. 9 (A/45/9)).

b/ The Secretary-General of the United Nations is not a participant in the Fund.

c/ The Secretary-General of ICAO is given the option of being a UNJSPF participant or making his own pension arrangements; in the latter case, he receives the employer organization's contribution as additional pay. The current Secretary-General is not a participant in the Fund.

d/ The Director-General of WIPO is also the Secretary-General of the International Union for the Protection of New Varieties of Plants. The pensionable remuneration of the former amounts to $US 208 318, while that of the latter amounts to $US 41 664.

ANNEX VI

Views of member organizations on the pensionable remuneration and pensions of ungraded officials

Food and Agriculture Organization of the United Nations

1. In a memorandum dated 12 February 1991, the Secretary of the FAO Staff Pension Committee communicated the following to the Secretary of the United Nations Joint Staff Pension Fund:

> "The relevant excerpts of the Board's report to the General Assembly on the pensionable remuneration and pension level of ungraded officials as well as General Assembly resolution 45/242 have already been drawn to the attention of the Director-General. FAO's Governing Body (i.e. the Conference) does not meet until November 1991.
>
> "The Director-General is an official elected by the FAO Conference which has the power of establishing his conditions of service. His pensionable remuneration was established in accordance with the methodology in force at the time of his election and increased since then in line with the methodology for granting increases. There has been neither a decision by the FAO Conference nor a recommendation by the General Assembly that the pensionable remuneration of executive heads be calculated differently. Changes in the methodology and ceilings for benefits have been decided by the General Assembly with a clear indication that they apply to the staff in the professional and higher categories i.e. up to the Under-Secretary-General level only and not to other officials.
>
> "The Director-General believes that the Governing Body of each specialized agency is in the best position to evaluate the case of its executive head with due regard to the term of office, prior participation in the UNJSPF or in other pension funds, length of service in the Organization and actual age of retirement. FAO's Director-General joined the UNJSPF in November 1962 at 36 years of age and held directorial positions until December 1975. On 1 January 1976, he became executive head of the Organization. He is now aged 64 and his current mandate expires just after his 67th birthday. At that time seven years would have elapsed from his normal retirement age. As the Organization has already contributed to the UNJSPF for his pension for 28 years, he does not intend to recommend for the FAO Conference that FAO establish for him a retirement allowance outside the Fund. Moreover the Director-General shares the view already expressed in various fora that changes, if decided, should not have retroactive effect and should not in any case come into force until after the end of the mandates of the current incumbents.
>
> "Finally, it is stressed that under normal circumstances the tenure of an executive head is relatively short and this circumstance is not comparable, therefore, with the situation of staff members who may enjoy a long career in their respective Organizations. Moreover, in the case of executive heads with long periods of service it would be neither

> legally justified nor equitable for existing arrangements, recognized and accepted by the United Nations Joint Staff Pension Fund throughout their periods of service, to be altered, right at the end of their terms of office so as to prejudice any of their pension benefits."

International Labour Organisation

2. The ILO Governing Body considered at its May-June 1991 meeting a report from its officers on the pensionable remuneration of the ILO Director-General. The report provided (a) background information on the pensionable remuneration of the Director-General and on the discussions that had taken place in the Pension Board and in ICSC on the pensionable remuneration of ungraded officials, and (b) alternative approaches to determining the pensionable remuneration of a newly appointed Director-General for ILO, should the Governing Body decide to make pension arrangements outside UNJSPF.

3. The officers of the Governing Body express the view that:

> "in line with the practice in force in the United Nations where the pension payments due to former Secretaries-General or to their survivors are budgeted each biennium, a similar practice should be established in the ILO and that, at the appropriate time, provision be made under major programme 290 (Other budgetary provisions) of the relevant programme and budget. If the ILO Governing Body agrees with this approach, the Officers would be prepared, with the assistance of the ILO services, to work out detailed specifications and procedures of a pension scheme in line with the principles outlined in paragraph 9 above and to submit a further document to the Governing Body at a later stage."

4. The report does not address the questions considered by the Board and ICSC regarding the arrangements for ungraded officials who are in UNJSPF.

5. The Governing Body decided to discuss the matter further at its November 1991 session in the light of the recommendations of ICSC and the Pension Board. The full report of the officers of the ILO Governing Body will be distributed separately to ICSC and the Board at their respective sessions.

International Telecommunication Union

6. The ITU Administrative Council considered, at its May-June 1991 session, a report by the Secretary-General of ITU on the pensionable remuneration and pensions of ungraded officials. That report provided background information on the considerations of this issue by the Pension Board and ICSC on the pension arrangements applicable to the Secretary-General of the United Nations, and on the situation in ITU. The action proposed in that document was as follows:

"The Administrative Council might wish to:

"Confirm that the determination of the conditions of employment, including pension arrangements, is and shall remain the prerogative of the plenipotentiary conferences electing these officials;

"Envisage the possibility of the Union providing pension coverage for its elected officials and to request the Secretary-General to study further the matter, taking into account the arrangements applicable to the Secretary-General of the United Nations and to report to the next session of the Administrative Council on the feasibility of such a scheme from the legal and financial points of view;

"Ask the Secretary-General to transmit the view of the Administrative Council to the competent bodies of the Common System."

7. In a letter dated 12 June 1991, the Secretary-General of ITU informed the Secretary of UNJSPB that:

> "the Administrative Council, in stressing the exclusive responsibility of the ITU Plenipotentiary Conference in establishing conditions of employment of ITU elected officials, accepted the proposed modification of articles 54 and 28, rejected the idea of establishing a ceiling on pensions of ITU elected officials and did not decide on the question of pension arrangements outside the UNJSPF for these officials."

8. The full text of the report to the ITU Administrative Council will be distributed separately to the Board and ICSC at their respective sessions.

United Nations Industrial Development Organization

9. The Secretary of UNJSPB was advised that the Industrial Development Board of UNIDO will meet in the first week of July and the General Conference, which establishes the conditions of service of the Director-General, will meet in the last week of November 1991. Therefore, the position of the UNIDO Governing Body will only be known late this year.

10. The UNIDO Staff Pension Committee discussed the issue of ungraded officials at its thirty-third meeting in June 1991 and submitted to the Secretary of the Board the following:

> "It is agreed that there must be a distinction between appointed and elected officials. Officials appointed at levels equivalent to ASG/USG in ungraded positions, who are participants in the UNJSPF, should be dealt with in accordance with existing provisions. In respect of elected ungraded officials, particular attention must be paid to those with only a limited number of terms, e.g. as in the case of UNIDO, where the Director General in accordance with article 2 of the Constitution is appointed for a period of four years and may be reappointed for a further term of four years, after which he shall not be eligible for reappointment.

"The UNIDO Staff Pension Committee agrees that the present situation causes a problem and possible options were considered on the following lines:

"(a) Arrangements outside of the UNJSPF for elected ungraded officials who are not staff members/participants at the time of election similar to arrangements in force for the United Nations Secretary-General, members of the International Court of Justice, or the Secretary-General of ICAO;

"(b) Amendment to article 54 to establish methodology for calculating pensionable remuneration and subsequent pensions which would provide for a reasonable income replacement at the time of separation;

"(c) Combination between (a) and (b) above to allow supplement of pension by arrangements which ensure a reasonable relationship between after service remuneration and in service income;

"(d) As very high contributions for elected ungraded officials yield comparatively low pensions, an option should be analysed which is based on actuarial value irrespective of contributory service.

"Whatever option is finally approved, it was felt that a common system approach would be desirable, e.g., the specific aspects of participation in the UNJSPF coverage would need to be elaborated in the UNJSPB, whereas conversely ICSC could provide general guidelines for Governing Bodies on the desirable ratio of after service remuneration to in-service income on the basis of percentage of net base salary according to length of and/or number of terms."

United Nations Educational, Scientific and Cultural Organization

11. In a memorandum dated 1 July 1991, the Secretary of the UNESCO Staff Pension Committee communicated the following to the Secretary of UNJSPB:

> "The possibility of taking out of the UNJSPF, the Director-General and the Deputy Directors-General should be carefully studied by the ICSC in order to find an arrangement similar to that applied to the United Nations Secretary-General."

International Atomic Energy Agency

12. In a communication dated 12 April 1991, the Secretary of the Board was advised that the question of the pensionable remuneration and pensions of ungraded officials in IAEA is still subject to informal consultations with members of the IAEA Governing Council, and that, to date, no final position was available.

International Civil Aviation Organization

13. The Council of ICAO, in its decision 132/6 of 5 March 1991, requested the Secretariat:

> "To convey to the Pension Board its acceptance of the proposed paragraph (d) of article 54 of the Pension Fund Regulations, reading:
>
> "(d) In the case of participants not covered by the provisions of (a), (b) or (c) above, their pensionable remuneration shall be as established by the competent organ which determines their conditions of service. Thereafter, their pensionable remuneration shall be adjusted in accordance with the procedure in (b) (i) above.
>
> "On the understanding that the Council could set the pensionable remuneration levels of the President of the Council and the Secretary-General at the beginning of each term of office."

Interim Commission for the International Trade Organization/ General Agreement on Tariffs and Trade

14. In a letter dated 21 May 1991, the Chief of Personnel of the General Agreement on Tariffs and Trade (GATT) communicated the following to the Secretary of UNJSPB:

> "The Director-General has given careful consideration to the decision taken by the Pension Board in June 1990 regarding the pensionable remuneration of ungraded officials.
>
> "As you know, GATT has applied in respect of the Director-General and the Deputy Directors-General all the modifications in pensionable remuneration that have occurred over the last years, following in that respect strictly the decisions of the General Assembly as applied to the Administrator of UNDP and the Director-General for Development and International Economic Co-operation. This means that at the present time the pensionable remuneration of our ungraded officials is exactly in line with what it should be.
>
> "In these circumstances, the Director-General does not feel that it is appropriate or necessary to put the matter before the Council of GATT.
>
> "As for the question of pension arrangements to be made for ungraded officials, the view here is that with respect to the next Director-General, this may very well be a matter subject to contractual arrangements between the Contracting Parties and the person elected. At this point, it is not possible to say whether that arrangement will consist in participation in the Fund or in some arrangement not involving the Fund.

"Finally, with regard to the incorporation of a text in the Pension Fund regulations, our view continues to be that it would be appropriate to incorporate in the regulations a suitably drafted text governing the ways in which the pensionable remuneration for elected officials is to be handled, without tying the hands of the legislative bodies."

World Intellectual Property Organization

15. In a letter dated 26 November 1990, the Secretary of the WIPO Staff Pension Committee communicated the following:

> "The relevant excerpts of the Board's report to the General Assembly have already been brought to the attention of the Director-General. As far as the Governing Bodies of WIPO are concerned, their next regular sessions are scheduled for September/October 1991, i.e., after the July 1991 session of the Board.
>
> "We have no objection to the first sentence of the amendment proposed to article 54 concerning an additional paragraph (d) that would state that the pensionable remuneration of participants (a), (b) and (c) would be established by the competent organ which determines the conditions of service of a participant covered by paragraph (d). We find, on the other hand, that the second sentence is not consistent with the idea of the first sentence.
>
> "As concerns the proposed amendment to article 28, which amendment would place a ceiling on the benefit payable to all participants and hence also on the benefit payable to the executive head of an organization, we find that to be inconsistent with the notion expressed in the proposed amendment of article 54 (referred to above). Since the latter recognizes that it is the organ competent to fix the conditions of service that should deal with pensionable remuneration, it would seem only logical that that organ should also determine such an important condition of service as the amount of the pension benefit. Therefore, at the present time, we would object to the proposed amendment to article 28."

International Fund for Agricultural Development

16. The Executive Board of IFAD, in December 1990, noted the information relating to the pensionable remuneration of ungraded officials not covered by article 54 (b) of the Regulations of the United Nations Joint Staff Pension Fund, and requested the President to report back on the subject immediately after the major specialized agencies have examined the issue of providing minimum pension coverage for their ungraded officials outside the Pension Fund.

ANNEX VII

Description of the modifications of the pension adjustment system considered by the Board

1. The various modifications examined by the Board in 1990 were:

(a) The proposal advanced by the International Telecommunication Union (ITU), described as a pension purchasing power protection scheme, under which the base local currency pension would be calculated so as to provide the same income replacement ratio, i.e., ratio of pension to net remuneration, as did the corresponding dollar pension at the base of the system, New York (hereafter referred to as the full income replacement approach); and

(b) Changes in the "Washington Formula" to provide adjustments for a greater portion of the cost-of-living differences at locations with higher post adjustment classes, i.e., higher net remuneration, than at New York. (Three changes were examined, which would provide greater adjustments than the current formula by moving closer to, but falling short of, income replacement based on the total net remuneration; a fourth change was also examined which would provide full compensation for each class of post adjustment above that in New York, corresponding in effect to the full income replacement approach.)

2. The specific modifications of the "Washington Formula" examined were the following:

Modification A: Lowering the threshold for triggering the application of cost-of-living differential factors from four classes of post adjustment above that in New York to two classes, without changing the differential factors themselves and without changing the limitation on the amount of the Final Average Remuneration (FAR) to which the differential factors are applied;

Modification B: Same as Modification A but eliminating the current limitation on the amount of FAR to which the differential factors are applied;

Modification C: Same as Modification B, but increasing the cost-of-living differential factors to provide a full 5 per cent adjustment for each post adjustment class above the threshold;

Modification D: Eliminating the threshold and applying a full 5 per cent adjustment for each class of post adjustment above that in New York (as indicated earlier, this modification provides results closely corresponding to those under the full income replacement approach).

The threshold and cost-of-living differential factors under the current "Washington Formula" and under the various modifications thereof are set out in the attached table.

Description of the "Washington Formula" and the modifications thereof

Current		Modifications considered				
36-month average excess of PA classes over that of New York	Cost-of-living differential factor a/	36-month average excess of PA classes over that of New York	Cost-of-living differential factor			
			A a/	B	C	D
	(per cent)		(per cent)			
less than 4	0	less than 1	0	0	0	0
4	3	1	0	0	0	5
5	7	2	3	3	5	10
6	12	3	7	7	10	16
7	17	4	12	12	16	22
8	22	5	17	17	22	28
9	28	6	22	22	28	34
10	34	7	28	28	34	41
11	40	8	34	34	41	46
12 or more	46	9	40	40	48	55
		10	46	46	55	63
		11	53	53	63	71
		12	61	61	71	80
		13	61	61	80	89
		14	61	61	89	98
		15	61	61	98	108
		16	61	61	108	118
		etc.				
					Without FAR limit	

a/ The cost-of-living differential factors are applied only to that part of the final average remuneration which is less than or equal to the pensionable remuneration at P-2, top step.

ANNEX VIII

Income replacement ratios under the current system and under the various modifications thereof

(Officials retiring at age 60 with 20 years of contributory service)

Table 1. Income replacement ratios on 1 January 1991

A. P-4, step XII

New York income replacement ratio: 49.0

	FAR LIMIT	Austria a/	France a/	Italy	Japan b/	Switzerland	United Kingdom of Great Britain and Northern Ireland
36 months PA excess		3.16	1.67	0.81	14.15	6.41	1.44
Current system	P-2/XII	42.5	45.8	48.0	32.7	40.0	46.2
Modification B	P-2/XII	42.5(45.3)	45.8	48.0	35.7	43.1	46.2
	P-3/XV	42.5(46.0)	45.8	48.0	38.4	44.8	46.2
Modification C	P-2/XII	42.8(46.4)	45.8	48.0	37.7(42.0)	44.8	46.2
	P-3/XV	42.9(47.4)	45.8	48.0	40.9(46.4)	47.0	46.2
Modification D	P-2/XII	44.3(48.4)	46.6(49.0)	48.0	39.5(43.9)	46.7	48.9
	P-3/XV	45.4(49.9)	46.8(49.8)	48.0	43.2(48.7)	49.4	49.6
Transitional		61.0	61.1	62.1	41.3	51.6	57.8

B. D-2, step IV

New York income replacement ratio: 50.4

	FAR LIMIT	Austria a/	France a/	Italy	Japan b/	Switzerland	United Kingdom of Great Britain and Northern Ireland
Current	P-2/XII	43.8	47.2	49.4	32.3	40.6	47.6
Modification B	P-2/XII	43.8(46.1)	47.2	49.4	34.7	43.1	47.6
	P-3/XV	43.8(46.8)	47.2	49.4	37.2	44.6	47.6
	P-4/XV	43.8(47.3)	47.2	49.4	39.2	45.9	47.6
	P-5/XIII	43.8(47.5)	47.2	49.4	39.9	46.4	47.6
Modification C	P-2/XII	44.1(46.9)	47.2	49.4	36.4(39.9)	44.4	47.6
	P-3/XV	44.2(47.9)	47.2	49.4	39.3(43.9)	46.5	47.6
	P-4/XV	44.2(48.6)	47.2	49.4	41.7(47.1)	48.0	47.6
	P-5/XIII	44.2(48.9)	47.2	49.4	42.6(48.3)	48.6	47.6
Modification D	P-2/XII	45.7(48.6)	47.9(49.7)	49.4	37.8(41.3)	46.0	49.8
	P-3/XV	46.3(50.0)	48.0(50.5)	49.4	41.3(45.8)	48.4	50.4
	P-4/XV	46.7(51.1)	48.2(51.1)	49.4	44.0(49.3)	50.4	51.0
	P-5/XIII	46.9(51.6)	48.2(51.3)	49.4	45.0(50.7)	51.1	51.1
Transitional		63.0	62.9	63.9	43.0	53.4	59.6

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a/ Austria and France: figures in parenthesis are ratios without the special index reductions calculated at P-2/XII.

b/ Japan: figures in parenthesis are ratios under no PA class limit; the other figures relate to use of current PA class level of 12.

Table 2. Income replacement ratios on 1 December 1992 under 25 per cent appreciation of the United States dollar

	FAR LIMIT	Austria a/	France a/	Italy	Japan	Switzerland	United Kingdom of Great Britain and Northern Ireland
A. P-4, step XII							
		New York income replacement ratio: 48.3					
36 months PA excess		1.45	0.91	0.55	9.28	3.84	0.77
Current system	P-2/XII	47.0	48.3	50.4	37.8	40.4	48.4
Modification B	P-2/XII	47.0	48.3	50.4	40.5	43.9	48.4
	P-3/XV	47.0	48.3	50.4	43.4	44.9	48.4
	P-4/XV	47.0	48.3	50.4	44.0	45.2	48.4
Modification C	P-2/XII	47.0	48.3	50.4	42.4	45.0	48.4
	P-3/XV	47.0	48.3	50.4	45.9	46.5	48.4
	P-4/XV	47.0	48.3	50.4	46.6	46.8	48.4
Modification D	P-2/XII	47.0(49.7)	48.3	50.4	44.1	46.8	48.4
	P-3/XV	47.0(50.4)	48.3	50.4	48.1	48.8	48.4
	P-4/XV	47.0(50.6)	48.3	50.4	48.9	49.2	48.4
Transitional b/		46.7	44.3	44.8	32.3	38.9	40.1
B. D-2, step IV							
		New York income replacement ratio: 49.5					
Current system	P-2/XII	48.2	49.5	51.7	37.1	41.4	49.6
Modification B	P-2/XII	48.2	49.5	51.7	39.3	44.2	49.6
	P-3/XV	48.2	49.5	51.7	41.6	45.0	49.6
	P-4/XV	48.2	49.5	51.7	43.5	45.7	49.6
	P-5/XIII	48.2	49.5	51.7	45.0	46.3	49.6
	No limit	48.2	49.5	51.7	45.1	46.3	49.6
Modification C	P-2/XII	48.2	49.5	51.7	40.8	45.1	49.6
	P-3/XV	48.2	49.5	51.7	43.6	46.3	49.6
	P-4/XV	48.2	49.5	51.7	45.8	47.1	49.6
	P-5/XIII	48.2	49.5	51.7	47.7	47.9	49.6
	No limit	48.2	49.5	51.7	47.8	47.9	49.6
Modification D	P-2/XII	48.2(50.3)	49.5	51.7	42.2	46.5	49.6
	P-3/XV	48.2(50.9)	49.5	51.7	45.4	48.1	49.6
	P-4/XV	48.2(51.4)	49.5	51.7	47.9	49.3	49.6
	P-5/XIII	48.2(51.8)	49.5	51.7	50.0	50.3	49.6
	No limit	48.2(51.9)	49.5	51.7	50.2	50.4	49.6
Transitional b/		48.1	45.5	46.1	33.3	40.0	41.2

a/ Austria and France: figures in parenthesis are ratios without the special index reductions calculated at P-2/XII.

b/ What transitional measure implemented on 1 January 1991 would amount to on 1 December 1992 if it were extended.

Table 3. Income replacement ratios on 1 December 1992 under 25 per cent depreciation of the United States dollar

	FAR LIMIT	Austria a/	France a/	Italy	Japan	Switzerland	United Kingdom of Great Britain and Northern Ireland
A. P-4, step XII							
		New York income replacement ratio: 48.3					
36 months PA excess		3.09	2.55	1.83	11.98	6.45	2.78
Current system	P-2/XII	42.0	43.2	44.8	36.7	39.5	42.9
Modification B	P-2/XII	42.0(44.2)	43.2(44.6)	44.8	39.7	42.2	44.5
	P-3/XV	42.0(44.8)	43.2(45.0)	44.8	43.4	44.1	45.0
	P-4/XV	42.0(45.0)	43.2(45.1)	44.8	44.1	44.5	45.1
Modification C	P-2/XII	42.0(45.1)	43.3(45.3)	44.8	41.7	43.8	45.3
	P-3/XV	42.0(46.0)	43.3(46.0)	44.8	46.0	46.1	46.1
	P-4/XV	42.0(46.2)	43.3(46.1)	44.8	46.9	46.6	46.2
Modification D	P-2/XII	43.7(47.0)	45.0(47.1)	47.5	43.5	45.4	47.1
	P-3/XV	44.2(48.5)	45.6(48.2)	48.4	48.3	48.3	48.3
	P-4/XV	44.3(48.8)	45.7(48.5)	48.5	49.3	48.9	48.6
Transitional b/		47.5	45.2	45.4	32.6	39.4	40.4
B. D-2, step IV							
		New York income replacement ratio: 49.5					
Current system	P-2/XII	43.1	44.2	45.9	35.5	39.6	43.9
Modification B	P-2/XII	43.1(44.8)	44.2(45.4)	45.9	37.9	41.8	45.2
	P-3/XV	43.1(45.3)	44.2(45.7)	45.9	40.9	43.3	45.6
	P-4/XV	43.1(46.9)	44.2(46.0)	45.9	43.2	44.5	45.9
	P-5/XIII	43.1(47.4)	44.2(46.2)	45.9	45.1	45.5	46.2
	No limit	43.1(47.4)	44.2(46.2)	45.9	45.3	45.6	46.2
Modification C	P-2/XII	43.1(45.5)	44.3(46.0)	45.9	39.5	43.1	45.9
	P-3/XV	43.1(46.3)	44.4(46.5)	45.9	43.0	45.0	46.5
	P-4/XV	43.1(46.9)	44.4(46.9)	45.9	45.7	46.5	46.9
	P-5/XIII	43.1(47.4)	44.4(47.3)	45.9	47.9	47.7	47.3
	No limit	43.1(47.4)	44.4(47.3)	45.9	48.1	47.8	47.3
Modification D	P-2/XII	44.4(47.0)	45.7(47.3)	48.1	41.0	44.4	47.3
	P-3/XV	44.8(48.2)	46.1(48.3)	48.7	44.8	46.7	48.3
	P-4/XV	45.1(49.1)	46.5(49.0)	49.3	47.9	48.5	49.1
	P-5/XIII	45.4(49.9)	46.8(49.6)	49.7	50.4	50.0	49.7
	No limit	45.4(50.0)	46.8(49.7)	49.7	50.6	50.1	49.8
Transitional b/		48.9	46.4	46.6	33.6	40.6	41.5

a/ Austria and France: figures in parenthesis are ratios without the special index reductions calculated at P-2/XII.

b/ What transitional measure implemented on 1 January 1991 would amount to on 1 December 1992 if it were extended.

ANNEX IX

Variations in the annual amount of the local currency track pension according to the different dates of separation, as adjusted to 1 May 1991

(Officials at P-4, step XII, retiring at age 60 with 20 years of contributory service)

Date of separation 31 December	United States dollar pension	Full amount of benefit as adjusted to 1 May 1991 local currency track with floor measure					
		Austria	France	Italy	Japan	Switzerland	United Kingdom of Great Britain and Northern Ireland
1978	33 272	420 277	178 051	49 736	6 679	63 310	23 725
1979	32 073	401 150	171 035	50 338	6 892	62 710	20 865
1980	32 199	L 390 638	L 163 299	47 422	6 911	62 365	L 18 497
1981	33 043	417 145	172 884	L 46 601	7 146	L 61 888	18 871
1982	33 955	474 500	191 870	51 361	7 657	65 164	20 260
1983	H 36 727	551 904	232 609	58 553	H 8 036	67 376	23 500
1984	36 015	592 553	262 870	62 918	7 796	72 306	26 785
1985	35 511	H 628 935	H 282 549	H 66 497	7 642	H 75 903	H 28 568
1986	34 660	561 795	270 989	62 839	7 142	71 509	27 751
1987	33 625	550 301	251 683	57 810	6 886	68 252	26 286
1988	31 749	535 647	239 932	54 278	6 709	66 297	24 502
1989	30 939	541 332	236 286	52 097	6 781	64 481	23 234
1990	L 30 814	543 794	242 198	51 501	6 793	64 709	22 487
30/4/1991	31 586	534 207	238 166	50 542	L 6 666	63 632	21 938
Average pension	33 298	510 298	223 887	54 463	7 124	66 421	23 376
Variation over average (in percentage)							
L = lowest benefit	-7.5	-23.4	-27.1	-14.4	-6.4	-6.8	-20.9
H = highest benefit	+10.3	+23.2	+26.2	+22.1	+12.8	+14.3	+22.2
Variation							
highest/lowest	+19.2	+61	+73	+42.7	+20.6	+22.6	+54.4
May 1991/average	-5.1	+4.7	+6.4	-7.2	-6.4	-4.2	-6.2

Note: Local currency amounts for Japan and Italy are expressed in thousands per unit.

ANNEX X

Income replacement ratios as at 1 January 1991 under various modifications of the "Washington Formula"

(Officials retiring at age 60 with 20 years of contributory service)

A. P-4, step XII

New York income replacement ratio: 49.0

	FAR LIMIT	Austria a/	France a/	Italy	Japan	Switzerland	United Kingdom of Great Britain and Northern Ireland
36-month PA excess		3.16	1.67	0.81	14.15	6.41	1.44
Modification C	P-3/XV	42.9(47.4)	45.8	48.0	46.4	47.0	46.2
	P-4/XV	42.9(47.4)	45.8	48.0	46.4	47.0	46.2
Modification 1	P-3/XV	43.6(48.1)	45.8(48.5)	48.0	45.6	47.0	48.5
	P-4/XV	43.6(48.1)	45.8(48.5)	48.0	45.6	47.0	48.5
Modification 2	P-3/XV	43.7(48.2)	45.8(48.5)	48.0	47.3	47.9	48.5
	P-4/XV	43.7(48.2)	45.8(48.5)	48.0	47.3	47.9	48.5
Modification 3	P-3/XV	44.4(49.0)	45.9(48.9)	48.0	47.8	48.3	48.7
	P-4/XV	44.4(49.0)	45.9(48.9)	48.0	47.8	48.3	48.7
Modification 4	P-3/XV	44.9(49.4)	46.4(49.3)	48.0	48.2	48.8	49.2
	P-4/XV	44.9(49.4)	46.4(49.3)	48.0	48.2	48.8	49.2
Modification D	P-3/XV	45.4(49.9)	46.8(49.8)	48.0	48.7	49.4	49.6
	P-4/XV	45.4(49.9)	46.8(49.8)	48.0	48.7	49.4	49.6

B. D-2, step IV

New York income replacement ratio: 50.4

	FAR LIMIT	Austria a/	France a/	Italy	Japan	Switzerland	United Kingdom of Great Britain and Northern Ireland
Modification C	P-3/XV	44.2(47.9)	47.2	49.4	43.9	46.5	47.6
	P-4/XV	44.2(48.6)	47.2	49.4	47.1	48.0	47.6
Modification 1	P-3/XV	44.8(48.5)	47.2(49.5)	49.4	43.2	46.5	49.5
	P-4/XV	44.9(49.4)	47.2(49.9)	49.4	46.3	48.0	49.8
Modification 2	P-3/XV	44.9(48.6)	47.2(49.5)	49.4	44.6	47.2	49.5
	P-4/XV	45.0(49.5)	47.2(49.9)	49.4	47.9	48.9	49.8
Modification 3	P-3/XV	45.5(49.2)	47.3(49.7)	49.4	45.0	47.5	49.7
	P-4/XV	45.8(50.2)	47.3(50.2)	49.4	48.4	49.3	50.1
Modification 4	P-3/XV	45.8(49.5)	47.7(50.1)	49.4	45.4	48.0	50.1
	P-4/XV	46.2(50.6)	47.7(50.6)	49.4	48.8	49.8	50.5
Modification D	P-3/XV	46.3(50.0)	48.0(50.5)	49.4	45.8	48.4	50.4
	P-4/XV	46.7(51.1)	48.2(51.1)	49.4	49.3	50.4	51.0

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a/ Austria and France: figures in parenthesis are ratios without the special index reductions calculated at P-2/XII.

ANNEX XI

Pension amounts and income replacement ratios on 1 September 1991 under various modifications of the "Washington Formula"

(Officials retiring at age 60 with 20 years of contributory service)

A. P-4, step XII

New York income replacement ratio: 48.7

	FAR LIMIT	Austria	France	Italy	Switzerland	United Kingdom of Great Britain and Northern Ireland	Japan
36-month PA excess		2.47	1.31	0.66	5.55	1.17	12.76
Modification C	P3/XV	394 420 (43.7)	189 930 (46.4)	41 480 392 (48.1)	60 191 (47.2)	18 799 (46.4)	7 879 039 (47.7)
	P4/XV	394 420 (43.7)	189 930 (46.4)	41 480 392 (48.1)	60 408 (47.4)	18 799 (46.4)	7 940 784 (48.1)
Proposal 1	P3/XV	394 420 (43.7)	189 930 (46.4)	41 480 392 (48.1)	60 191 (47.2)	19 478 (48.1)	7 757 991 (47.0)
	P4/XV	394 420 (43.7)	189 930 (46.4)	41 480 392 (48.1)	60 408 (47.4)	19 491 (48.1)	7 817 546 (47.4)
Proposal 2	P3/XV	394 420 (43.7)	189 930 (46.4)	41 480 392 (48.1)	61 138 (48.0)	19 478 (48.1)	8 010 613 (48.5)
	P4/XV	394 420 (43.7)	189 930 (46.4)	41 480 392 (48.1)	61 372 (48.2)	19 491 (48.1)	8 074 737 (48.9)
Proposal 3	P3/XV	394 962 (43.8)	189 930 (46.4)	41 480 392 (48.1)	61 612 (48.3)	19 510 (48.2)	8 098 329 (49.1)
	P4/XV	394 972 (43.8)	189 930 (46.4)	41 480 392 (48.1)	61 854 (48.5)	19 523 (48.2)	8 164 040 (49.5)
Proposal 4	P3/XV	398 836 (44.2)	189 930 (46.4)	41 480 392 (48.1)	62 346 (48.9)	19 694 (48.6)	8 186 045 (49.6)
	P4/XV	398 916 (44.2)	189 930 (46.4)	41 480 392 (48.1)	62 601 (49.1)	19 711 (48.7)	8 253 343 (50.0)
Modification D	P3/XV	402 710 (44.6)	190 060 (46.4)	41 480 392 (48.1)	63 032 (49.5)	19 879 (49.1)	8 273 762 (50.1)
	P4/XV	402 860 (44.7)	190 063 (46.4)	41 480 392 (48.1)	63 300 (49.7)	19 899 (49.1)	8 342 645 (50.5)

B. D-2, step IV

New York income replacement ratio: 50.0

	FAR LIMIT	Austria	France	Italy	Switzerland	United Kingdom of Great Britain and Northern Ireland	Japan
Modification C	P3/XV	508 786 (45.0)	245 002 (47.6)	53 508 116 (49.4)	74 170 (46.5)	24 250 (47.7)	9 173 755 (44.6)
	P4/XV	508 786 (45.0)	245 002 (47.6)	53 508 116 (49.4)	76 377 (47.9)	24 250 (47.7)	9 802 673 (47.6)
Proposal 1	P3/XV	508 786 (45.0)	245 002 (47.6)	53 508 116 (49.4)	74 170 (46.5)	24 929 (49.0)	9 052 707 (44.0)
	P4/XV	508 786 (45.0)	245 002 (47.6)	53 508 116 (49.4)	76 377 (47.9)	25 054 (49.3)	9 659 325 (46.9)
Proposal 2	P3/XV	508 786 (45.0)	245 002 (47.6)	53 508 116 (49.4)	75 117 (47.1)	24 929 (49.0)	9 305 329 (45.2)
	P4/XV	508 786 (45.0)	245 002 (47.6)	53 508 116 (49.4)	77 499 (48.6)	25 054 (49.3)	9 958 486 (48.4)
Proposal 3	P3/XV	509 329 (45.0)	245 002 (47.6)	53 508 116 (49.4)	75 591 (47.4)	24 961 (49.1)	9 393 045 (45.6)
	P4/XV	509 429 (45.0)	245 002 (47.6)	53 508 116 (49.4)	78 060 (48.9)	25 092 (49.3)	10 062 361 (48.9)
Proposal 4	P3/XV	513 203 (45.4)	245 002 (47.6)	53 508 116 (49.4)	76 325 (47.8)	25 145 (49.4)	9 480 761 (46.1)
	P4/XV	514 016 (45.4)	245 002 (47.6)	53 508 116 (49.4)	78 929 (49.5)	25 310 (49.8)	10 166 237 (49.4)
Modification D	P3/XV	517 077 (45.7)	245 133 (47.7)	53 508 116 (49.4)	77 011 (48.3)	25 330 (49.8)	9 568 478 (46.5)
	P4/XV	518 604 (45.8)	245 157 (47.7)	53 508 116 (49.4)	79 742 (50.0)	25 529 (50.2)	10 270 112 (49.9)

ANNEX XII

Administrative expenses

Table 1. Revised budget estimates for the biennium 1990-1991

(Thousands of United States dollars)

Object of expenditure	Initial appropriations (1)	Estimated additional requirements or decreases Decisions of policy-making organs (2)	Other changes (3)	Adjustments to standard costs (4)	Rates of exchange (5)	Inflation (6)	Total requirements (2+3+4+5+6) (7)	Revised estimates (1+7) (8)
A. Administrative costs								
Established posts	4 751.0	0.0	0.0	198.9	0.0	0.0	198.9	4 949.9
Common staff costs	1 610.8	0.0	0.0	80.1	0.0	0.0	80.1	1 690.9
Temporary assistance	45.5	29.4	0.0	0.0	0.0	0.0	29.4	74.9
Common staff costs	15.8	11.3	0.0	0.0	0.0	0.0	11.3	27.1
Overtime	99.2	30.8	0.0	0.0	0.0	0.0	30.8	130.0
Travel of staff	91.1	14.6	0.0	0.0	0.0	0.0	14.6	105.7
Actuarial consulting services	446.7	150.0	0.0	0.0	0.0	0.0	150.0	596.7
Consultants	38.8	0.0	0.0	0.0	0.0	0.0	0.0	38.8
Committee of Actuaries	61.1	0.0	0.0	0.0	0.0	0.0	0.0	61.1
Data-processing costs:								
Services rendered by United Nations	40.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0
Rental and maintenance of equipment	268.8	0.0	0.0	0.0	0.0	0.0	0.0	268.8
Acquisition of equipment	327.3	0.0	0.0		0.0	0.0	0.0	327.3
Contractual services	1 232.0	0.0	0.0	0.0	0.0	0.0	0.0	1 232.0
Supplies and materials	52.4	0.0	0.0	0.0	0.0	0.0	0.0	52.4
External audit	28.1	3.4	0.0	0.0	0.0	0.0	3.4	31.5
Communications services	10.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0
Hospitality	11.2	0.0	0.0	0.0	0.0	0.0	0.0	11.2
Miscellaneous supplies and services	39.3	0.0	0.0	0.0	0.0	0.0	0.0	39.3
Training	21.8	26.2	0.0	0.0	0.0	0.0	26.2	48.0
Office furniture and fixtures	1 068.5	0.0	0.0	0.0	0.0	0.0	0.0	1 068.5
Total administrative costs	10 259.4	265.7	0.0	279.0	0.0	0.0	544.7	10 804.1

Table 1 (continued)

		Estimated additional requirements or decreases						
Object of expenditure	Initial appropriations (1)	Decisions of policy-making organs (2)	Other changes (3)	Adjustments to standard costs (4)	Rates of exchange (5)	Inflation (6)	Total requirements (2+3+4+5+6) (7)	Revised estimates (1+7) (8)
B. Investment costs								
Established posts	1 801.4	0.0	0.0	0.0	0.0	0.0	0.0	1 801.4
Common staff costs	624.3	0.0	0.0	0.0	0.0	0.0	0.0	624.3
Temporary assistance	24.1	0.0	0.0	0.0	0.0	0.0	0.0	24.1
Common staff costs	8.3	0.0	0.0	0.0	0.0	0.0	0.0	8.3
Overtime	21.4	0.0	0.0	0.0	0.0	0.0	0.0	21.4
Travel of staff	138.9	0.0	0.0	0.0	0.0	0.0	0.0	138.9
Advisory and custodial fees	16 300.0	1 389.3	0.0	0.0	0.0	0.0	1 389.3	17 689.3
Investment consultants	213.7	0.0	0.0	0.0	0.0	0.0	0.0	213.7
Investments Committee	325.4	0.0	0.0	0.0	0.0	0.0	0.0	325.4
Investment reference services	64.1	0.0	0.0	0.0	0.0	0.0	0.0	64.1
Communications services	85.5	0.0	0.0	0.0	0.0	0.0	0.0	85.5
Data processing	641.1	0.0	0.0	0.0	0.0	0.0	0.0	641.1
Hospitality	11.1	0.0	0.0	0.0	0.0	0.0	0.0	11.1
Miscellaneous supplies and services	7.6	0.0	0.0	0.0	0.0	0.0	0.0	7.6
Training	25.2	0.0	0.0	0.0	0.0	0.0	0.0	25.2
Bank charges	22.0	182.1	0.0	0.0	0.0	0.0	182.1	204.1
Total investment costs	20 314.0	1 571.4	0.0	0.0	0.0	0.0	1 571.4	21 885.4
Total administrative costs	10 259.4	265.7	0.0	279.0	0.0	0.0	544.7	10 804.1
GRAND TOTAL	30 573.4	1 837.1	0.0	279.0	0.0	0.0	2 116.1	32 689.5

Table 2. Budget estimates for the Fund for the biennium 1992-1993

(Thousands of United States dollars)

Main objects of expenditure	1990-1991 appropriation	Estimated additional requirements			Inflation in 1992 and 1993	1992-1993 estimates
		Revaluation of 1990-1991 resource base	Resource growth	Total requirements at revised 1991 rates		
A. Administrative costs						
Established posts	4 751.0	303.8	576.7	5 631.5	357.9	5 989.4
Common staff costs	1 610.8	299.5	207.2	2 117.5	136.6	2 254.1
Temporary assistance	45.5	0.5	44.8	90.8	6.1	96.9
Common staff costs	15.8	1.6	17.1	34.5	2.4	36.9
Overtime	99.2	2.6	47.0	148.8	10.9	159.7
Travel of staff	91.1	0.6	0.0	91.7	5.8	97.5
Actuarial consulting services	446.7	3.7	16.9	467.3	25.2	492.5
Consultants	38.8	0.3	0.0	39.1	2.1	41.2
Committee of Actuaries	61.1	0.5	0.0	61.6	3.3	64.9
Data-processing costs:						
Services rendered by United Nations	40.0	0.0	0.0	40.0	0.0	40.0
Rental and maintenance of equipment	268.8	2.4	560.0	831.2	44.6	875.8
Acquisition of equipment	327.3	(266.1)	2 512.2	2 573.4	137.7	2 711.1
Contractual services	1 232.0	(1 201.8)	73.5	103.7	5.6	109.3
Supplies and materials	52.4	0.5	65.0	117.9	6.3	124.2
External audit	28.1	0.1	0.0	28.2	1.4	29.6
Communications services	10.0	0.0	0.0	10.0	0.0	10.0
Hospitality	11.2	0.1	0.0	11.3	0.6	11.9
Miscellaneous supplies and services	39.3	0.3	0.0	39.6	2.2	41.8
Training	21.8	0.2	0.0	22.0	1.8	23.8
Office furniture and fixtures	1 068.5	(1 068.5)	0.0	0.0	0.0	0.0
Total administrative costs	10 259.4	(1 919.7)	4 120.4	12 460.1	750.5	13 210.6

Table 2 (continued)

Main objects of expenditure	1990-1991 appropriation	Estimated additional requirements Revaluation of 1990-1991 resource base	Resource growth	Total requirements at revised 1991 rates	Inflation in 1992 and 1993	1992-1993 estimates
B. Investment costs						
Established posts	1 801.4	237.2	102.4	2 141.0	130.9	2 271.9
Common staff costs	624.3	160.5	39.4	824.2	52.6	876.8
Temporary assistance	24.1	0.8	0.0	24.9	1.9	26.8
Common staff costs	8.3	0.7	0.0	9.0	0.8	9.8
Overtime	21.4	0.2	10.0	31.6	1.7	33.3
Travel of staff	138.9	1.2	41.7	181.8	9.8	191.6
Advisory and custodial fees	16 300.0	0.0	6 200.0	22 500.0	0.0	22 500.0
Investment consultants	213.7	1.8	35.0	250.5	13.5	264.0
Investments Committee	325.3	2.7	101.0	429.0	23.2	452.2
Investment reference services	64.1	0.6	228.0	292.7	15.8	308.5
Communications services	85.5	0.7	10.0	96.2	5.2	101.4
Data processing	641.1	(533.4)	0.0	107.7	5.8	113.5
Hospitality	11.1	0.1	0.0	11.2	0.6	11.8
Miscellaneous supplies and services	7.6	0.1	40.0	47.7	2.6	50.3
Training	25.2	0.2	3.3	28.7	1.5	30.2
Bank charges	22.0	0.2	188.0	210.2	11.4	221.6
Total investment costs	20 314.0	(126.4)	6 998.8	27 186.4	277.3	27 463.7
Total administrative costs	10 259.4	(1 919.7)	4 120.4	12 460.1	750.5	13 210.6
GRAND TOTAL	30 573.4	(2 046.1)	11 119.2	39 646.5	1 027.8	40 674.3

Table 3. Staffing table for the biennium 1992-1993

A. Secretariat of the Pension Fund

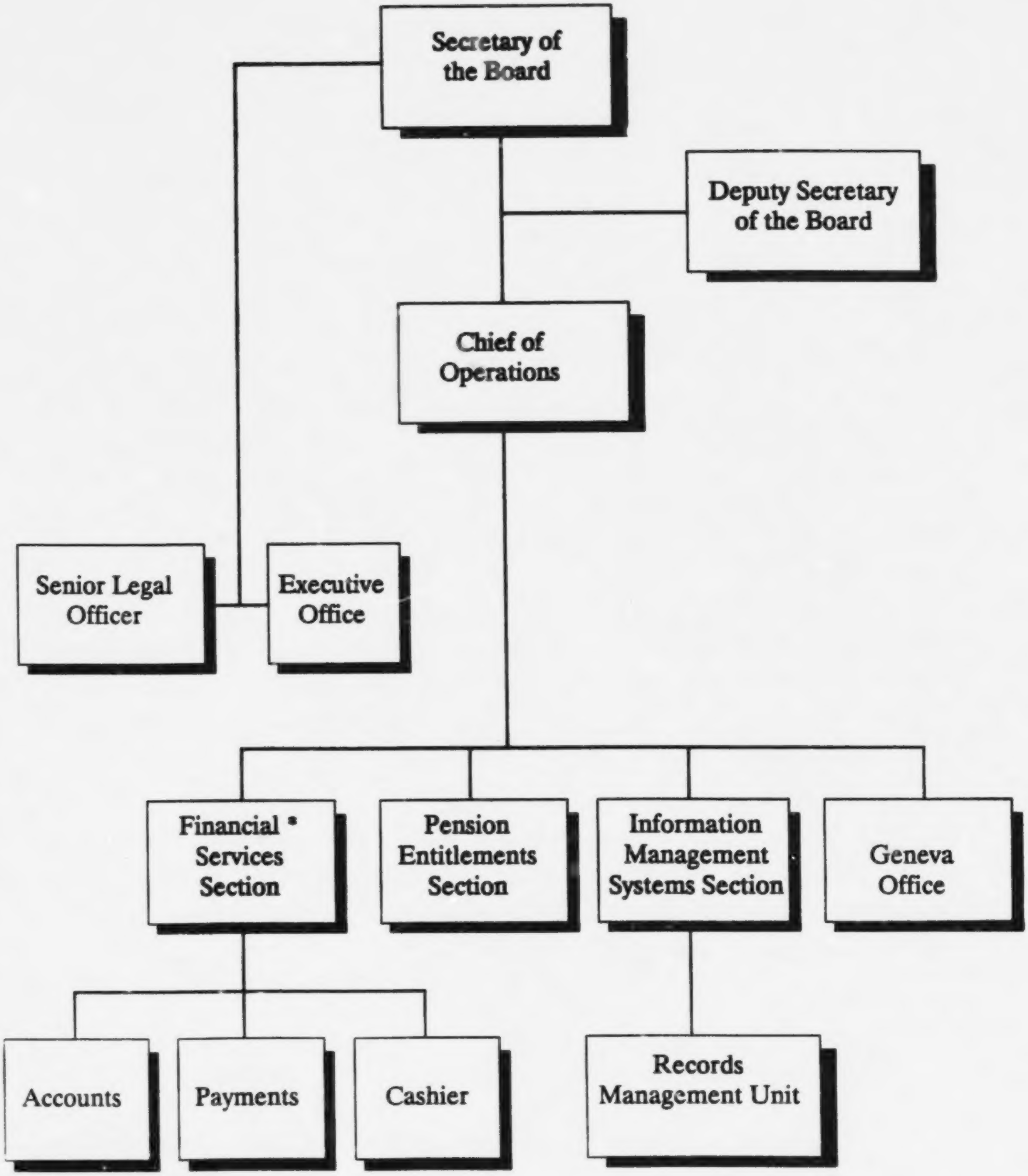
Established posts	1990-1991	1992-1993
Professional category and above		
D-2	1	1
D-1	2	2
P-5	4	6
P-4	7	8
P-3	14	15
P-2/1	2	1
Total	30	33
General Service category		
Principal level	0	0
Other levels	62	69
Total	62	69
GRAND TOTAL	92	102

Table 3 (continued)

B. Investment Management Service

Established posts	1990-1991	1992-1993
Professional category and above		
D-1	1	1
P-5	2	3
P-4	2	2
P-3	4	3
Total	9	9
General Service category		
Principal level	2	2
Other levels	12	13
Total	14	15
GRAND TOTAL	23	24

Organization chart of the UNJSPF secretariat


Secretary of the Board
Deputy Secretary of the Board
Chief of Operations
Senior Legal Officer
Executive Office
Financial * Services Section
Pension Entitlements Section
Information Management Systems Section
Geneva Office
Accounts
Payments
Cashier
Records Management Unit

* Proposed

Target dates for development of new computer systems

	Target completion date	Status
1. PENSYS development		
Requirements document	March 1991	Completed
Logical design document	September 1991	Completed
PENSYS development (priority applications)		
Operations Control System	June 1992	Open
Participant System	June 1992	Open
Benefits System	June 1992	Open
First Payment System	June 1992	Open
Payroll System	March 1993	Open
Accounts System	March 1993	Open
Year-end System	June 1993	Open
Executive Office Systems	June 1993	Open
2. Optical Based Imaging System (OBIS)		
Request For Proposal (RFP) distributed to vendors	March 1991	Completed
Vendor conference	April 1991	Completed
Vendor proposals submitted	May 1991	Completed
Initial proposal evaluation	June 1991	Completed
Benchmark testing and vendor demonstrations	August 1991	Completed
Vendor selection	September 1991	In progress
Document conversion started	September 1991	Open
Installation of full system	May 1992	Open
User training	April 1992	Open
Document conversion	May 1992	Open
OBIS System in production	June 1992	Open
3. Database Management System		
DB2 Software and related products requested from Electronic Services Division (ESD)	April 1991	Completed
Mainframe capacity analysis and agreement to acquire software	June 1991	Completed
Training (IMSS staff)	July 1991	Completed
Software development begins for PENSYS	September 1991	Open
Installation of DB2 and related products at United Nations	September 1991	Completed

ANNEX XIII

Member organizations of the Fund

The member organizations of the Fund are the United Nations and the following:

European and Mediterranean Plant Protection Organization (EPPO)

Food and Agriculture Organization of the United Nations (FAO)

Interim Commission for the International Trade Organization (ICITO)

International Atomic Energy Agency (IAEA)

International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM)

International Civil Aviation Organization (ICAO)

International Fund for Agricultural Development (IFAD)

International Labour Organisation (ILO)

International Maritime Organization (IMO)

International Telecommunication Union (ITU)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

United Nations Industrial Development Organization (UNIDO)

World Health Organization (WHO)

World Intellectual Property Organization (WIPO)

World Meteorological Organization (WMO)

ANNEX XIV

Attendance at the two sessions of the Board in 1991

1. The following persons were accredited by the staff pension committees of the member organizations and attended one or both of the two sessions of the Board in 1991 in the capacity of either member, or alternate member or representative (varied according to the session):

Representing	Name
United Nations	
General Assembly	Mr. Y. K. Gupta (India)
General Assembly	Mr. S. Kuttner (United States of America)
General Assembly	Mr. M. G. Okeyo (Kenya)
General Assembly	Mr. T. Inomata (Japan)
General Assembly	Mr. U. Kalbitzer (Germany)
General Assembly	Mr. M. Ladjouzi (Algeria)
General Assembly	Mr. J. Duhalt (Mexico)
General Assembly	Mr. L. Bidny (Union of Soviet Socialist Republics)
Secretary-General	Mr. A. Ciss (Senegal)
Secretary-General	Mr. J. R. Foran (Canada)
Secretary-General	Mr. M. de la Mota (Spain)
Secretary-General	Mr. M. Baquerot (France)
Secretary-General	Mr. A. J. Miller (Australia)
Secretary-General	Ms. D. Bull (United Kingdom of Great Britain and Northern Ireland)
Participants	Mr. B. Hillis a/ (Canada)
Participants	Ms. S. Johnston b/ (United States of America)
Participants	Ms. V. Baeza (Chile)
Participants	Ms. N. Watanaphanich (Thailand)
Participants	Mr. N. Kakar (India)
Food and Agriculture Organization of the United Nations	
Governing body	Mr. Z. Ghazalli (Malaysia)
Executive head	Mr. G. Zorn (United States of America)
Executive head	Mr. M. De Nigris (Italy)
Participants	Mr. A. Marcucci (Italy)
Participants	Mr. M. Arrigo (Italy)

Representing	Name
World Health Organization	
Governing body	Sir John Reid (United Kingdom)
Executive head	Mr. D. G. Aitken c/ (United Kingdom)
Executive head	Mr. M. Lafif (Tunisia)
Participants	Ms. M. A. Dam (United States of America)
Participants	Ms. M. Melloni (France)
International Labour Organisation	
Governing body	Mr. Y. Chotard (France)
Governing body	Mr. W. Yoffee (United States of America)
Executive head	Mr. A. Busca d/ (Italy)
Participants	Mr. J. V. Gruat (France)
Participants	Ms. I. Marguet (Ireland)
United Nations Educational, Scientific and Cultural Organization	
Governing body	Mr. G. V. Rao e/ (India)
Executive head	Mr. A. Isaksson (Iceland)
Executive head	Mr. D. Daly (Ireland)
Executive head	Mr. K. M. Angelides (Cyprus)
Participants	Mr. A. McLurg (United Kingdom)
Participants	Ms. Y. De Silva (France)
United Nations Industrial Development Organization	
Governing body	Mr. E. Zador f/ (Hungary)
Executive head	Mr. S. Seraydarian (Syrian Arab Republic)
Executive head	Mr. S. Hable-Selassie (Ethiopia)
Participants	Mr. S. Zampetti (Italy)
Participants	Mr. A. Bassili (Lebanon)
International Civil Aviation Organization	
Governing body	Mr. B. Weeden (Australia)
Executive head	Mr. D. J. Goossen (Netherlands)
Participants	Mr. L. F. Mortimer (United Kingdom)
Participants	Mr. R. Vincent (Canada)

Representing	Name
International Atomic Energy Agency	
Governing body	Mr. P. de Klerk (Netherlands)
Executive head	Mr. D. Goethel (Germany)
Participants	Mr. W. P. Scherzer (Austria)
International Telecommunication Union	
Governing body	Mr. G. Dupuis (Switzerland)
Governing body	Mr. R. Mbaye (Senegal)
Executive head	Mr. J.-P. Bar (France)
Participants	Ms. F. Sala (France)
Participants	Mr. J. Balfroid (Belgium)
International Maritime Organization	
Governing body	Mr. Y. Tito (Zaire)
Governing body	Capt. R.-G. Lewis (Cyprus)
Executive head	Mr. R. G. Jones (United Kingdom)
Participants	Mr. D. Bertaud (France)
Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade	
Governing body	Mr. J. Clarke (United Kingdom)
Executive head	Mr. P. Rolian (Canada)
Participants	Mr. J. Villa-Martin (Spain)
World Meteorological Organization	
Governing body	Mr. W. Milzow g/ (Germany)
Participants	Mr. S. Mbele-Mbong (Cameroon)
World Intellectual Property Organization	
Participants	Mr. V. Yossifov (Bulgaria)
International Fund for Agricultural Development	
Executive head	Mr. A. R. Prien (Canada)

2. The following attended one or both of the sessions as either representative or alternate representative:

FAFICS

Mr. Aamir Ali

Mr. A. Chakour

Ms. M. X. Lee

Mr. R. Perry

Mr. A. J. Friedgut

Mr. W. Zyss

3. The following attended one or both sessions of the Board as secretaries of staff pension committees:

Mr. G. Eberle	FAO
Ms. R. Wiedmer	WHO
Mr. R. Leone de Magistris	ILO
Ms. C. Kerlouegan	UNESCO
Ms. S. Diop	UNESCO
Ms. U. Peer	UNIDO
Mr. P. Uhl	IAEA
Mr. M. Rolland	ITU
Mr. G. Barnard	IMO
Mr. H. Glanzmann	ICITO/GATT
Mr. E. Renlund	WMO
Mr. J.-L. Perrin	WIPO
Ms. J. Sisto	IFAD
Mr. P. Pegazzano	ICCROM

4. Also present during the discussion of relevant items on the agenda were the following members of the Investments Committee Sheikh Ahmed Abdullatif, Mr. A. Faria, Mr. J. Guyot, Mr. M. Matsukawa, Governor B. K. Nehru, Mr. Y. Oltramare, Mr. E. N. Omaboe, Professor S. Raczkowski and Mr. P. Stormonth Darling, Mr. L. J. Martin, Rapporteur of the Committee of Actuaries, and Dr. I. Laux, Medical Consultant. The Board was assisted, in addition, by Ms. M. H. Adams, representing Buck Consultants, Inc. (consulting actuary to the Board), and Mr. L. Thomas, Vice-Chairman, Fiduciary Trust Company International of New York, the Fund's investment adviser. Mr. R. Gieri and Mr. S. K. Chow attended as Secretary and Deputy Secretary, respectively, of the Board.

5. The following also attended one or both of the Board's sessions:

Mr. M. Bel Hadj Amor	International Civil Service Commission (ICSC)
Mr. P. Ranadive	
Mr. W. Sach	
Mr. R. Eggleston	Consultative Committee on Administrative Questions (CCAQ)
Mr. E. J. Freeman	Federation of International Civil Servants' Associations (FICSA)
Ms. V. Pedersen	
Mr. R. Hewson	Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System (CCISUA)
Mr. F. Ercolini	
Mr. F. X. Hogan	International Monetary Fund (IMF)
Mr. J. F. Armistead	Inter-American Development Bank (IDB)

Notes

a/ First Vice-Chairman - forty-third session.

b/ Second Vice-Chairman - forty-second session.

c/ First Vice-Chairman - forty-second session; Chairman - forty-third session.

d/ Rapporteur - forty-second session.

e/ Second Vice-Chairman - forty-third session.

f/ Chairman - forty-second session.

g/ Rapporteur - forty-third session.

ANNEX XV

Membership of the Standing Committee

The following members and alternates were appointed by the Board at its forty-third session:

Representing	Members	Alternates
United Nations (Group I)		
General Assembly	Mr. S. Kuttner	Mr. T. Inomata
General Assembly	Mr. Y. K. Gupta	Mr. M. Ladjouzi
Secretary-General	Mr. A. Ciss	Mr. M. de la Mota
Secretary-General	Mr. J. R. Foran	Ms. D. Bull
Participants	Mr. B. Hillis	Ms. V. Baeza
Participants	Ms. S. Johnston	Ms. N. Watanaphanich
Specialized agencies (Group II)		
Governing body	Mr. Z. Ghazalli (FAO)	Ms. C. Koliou-Petrakakou (FAO)
Executive head	Mr. D. G. Aitken (WHO)	Mr. M. Lafif (WHO)
Participants	Mr. A. Marcucci (FAO)	Ms. M. Dam (WHO)
Specialized agencies (Group III)		
Governing body	Mr. Y. Chotard (ILO)	Mr. R. Vanni (ILO)
Executive head	Mr. D. Daly (UNESCO)	Mr. A. Kusi (UNESCO)
Specialized agencies (Group IV)		
Executive head	Mr. S. Seraydarian (UNIDO)	Mr. D. Goethel (IAEA)
Participants	Mr. L. Mortimer (ICAO)	Ms. F. Sala (ITU)
Specialized agencies (Group V)		
Governing body	Mr. J. Clarke (ICITO/GATT)	Mr. W. Milzow (WIPO)
Participants	Mr. J. McGhie (IFAD)	Mr. D. Bertaud (IMO)

ANNEX XVI

Membership of the Committee of Actuaries

The membership of the Committee is as follows:

Mr. A. O. Ogunshola (Nigeria) - Region I (African States)

Mr. K. Takeuchi (Japan) - Region II (Asian States)

Mr. E. M. Chetyrkin (Union of Soviet Socialist Republics) - Region III (Eastern European States)

Mr. H. Perez Montas (Dominican Republic) - Region IV (Latin America)

Mr. L. J. Martin (United Kingdom of Great Britain and Northern Ireland) - Region V (Western European and other States)

ANNEX XVII

Recommendations to the General Assembly for the amendment of the Regulations of the United Nations Joint Staff Pension Fund

Existing text	Proposed text	Comments
Article 14 Annual report and audit	Article 14 Report and audit	
(a) The Board shall present annually to the General Assembly and to the member organizations a report, including a balance-sheet, on the operation of the Fund, and shall inform each member organization of any action taken by the General Assembly upon the report.	(a) The Board shall present to the General Assembly and to the member organizations, at least once in every two years, a report, including a balance-sheet, on the operation of the Fund, and shall inform each member organization of any action taken by the General Assembly upon the report.	The Board's proposal is to hold its regular session every two years, although circumstances may from time to time require it to meet more frequently, for example, requests from the General Assembly, need to cooperate with ICSC in a study, etc. The purpose of the amendment is to modify the statutory requirement that the Board report *annually*, while not precluding more frequent reports if circumstances so require.
[No change in paragraph (b)]		

ANNEX XVIII

Recommendation to the General Assembly for changes in the pension adjustment system a/

Existing text	Proposed text	Comments
Section C Determination of base amounts	Section C Determination of base amounts	
5. The two base amounts for beneficiaries are determined as follows:	5. The two base amounts for beneficiaries are determined as follows:	To implement the long-term modification of the "Washington Formula" recommended by the Board in paragraphs 175 and 176 of its present report.
[No change in paragraph 5 (a)]		
(b) A local currency base amount is calculated for the country of residence established pursuant to section N below, as follows:	(b) A local currency base amount is calculated for the country of residence established pursuant to section N below, as follows:	
(i) A cost-of-living differential factor is established for the country of residence and the month of separation as explained in section D below. This factor is applied to that portion of the final average remuneration which does not exceed the pensionable remuneration at grade P-2, top step, in the scale of pensionable remuneration referred to in article 54 (b) of the Fund's Regulations, on the date of entitlement. The resulting amount is added to the final average remuneration;	(i) A cost-of-living differential factor is established for the country of residence and the month of separation as explained in section D below. This factor is applied to that portion of the final average remuneration which does not exceed the pensionable remuneration, on the date of separation, in the scale referred to in article 54 (b) of the Regulations, at the top step of the grades set out below: P-2: for separations before 1 April 1992; P-4: for separations on or after 1 April 1992; for disability benefits commencing after 1 January 1991 and for other benefits derived therefrom; and for survivors' and other benefits due to deaths in service of participants occurring on or after 1 January 1991.	
	The resulting amount is added to the final average remuneration;	
[No changes in subparagraphs 5 (b) (ii) and (iii), or in paragraph 5 (c)]		

Existing text

Section D

Cost-of-living differential factors

6. The cost-of-living differential factor referred to in subparagraph 5 (b) (i) above is computed as follows:

[No changes in subparagraphs 6 (a) (i), (ii) and (iii)]

(iv) The applicable cost-of-living differential factor is finally derived from the following table, the result being interpolated, when necessary, between the factors applicable for two exact numbers of classes of post adjustment:

36-month average excess of post adjustment classes over that of New York	Cost-of-living differential factor
	(Percentage)
Less than 4	0
4	3
5	7
6	12
7	17
8	22
9	28
10	34
11	40
12 or more	46

Proposed text

Section D

Cost-of-living differential factors

6. The cost-of-living differential factor referred to in subparagraph 5 (b) (i) above is computed as follows:

(iv) The applicable cost-of-living differential factor is finally derived from the following table, the result being interpolated, when necessary, between the factors applicable for two exact numbers of classes of post adjustment:

36-month average excess of post adjustment classes over that of New York	Cost-of-living differential factor
	(Percentage)
Separations before 1 April 1992	
Less than 4	0
4	3
5	7
6	12
7	17
8	22
9	28
10	34
11	40
12 or more	46

Comments

To implement the long-term modifications of the "Washington Formula" recommended by the Board in paragraphs 175 and 176 of its present report.

Existing text	Proposed text	Comments
	Separations on or after 1 April 1992; disability benefits commencing after 1 January 1991 and other benefits derived therefrom; and survivors' and other benefits due to deaths in service occurring on or after 1 January 1991	

Less than 1	0
1	3
2	8
3	14
4	19
5	25
6	31
7	38
8	45
9	52
10	60
11	68
12	76
13	85
14	94
15 or more	104

[No changes in subparagraphs 6 (a) (v) or in paragraphs 6 (b) and (c)]

---

a/ The pension adjustment system was adopted by the General Assembly under resolution 37/131 of 17 December 1982 and subsequently amended by Assembly resolutions 39/246 of 18 December 1984, 41/208 of 11 December 1986, 42/222 of 21 December 1987, 44/199 of 21 December 1989 and 45/242 of 21 December 1990.

ANNEX XIX

Draft resolution proposed for adoption by the General Assembly

As some matters covered in the annual report of the United Nations Joint Staff Pension Board are also dealt with in the annual report of the International Civil Service Commission, the Board is not in a position to propose to the General Assembly for adoption a draft resolution covering all the points on which action by the Assembly may be required. It believes, however, that the resolution should contain the following preambular and operative paragraphs:

The General Assembly,

Recalling its resolution 45/242 of 21 December 1990,

Having considered the report of the United Nations Joint Staff Pension Board for 1990 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund, a/ chapter III of the report of the International Civil Service Commission, b/ the report of the Secretary-General on the investments of the Fund, c/ and the related report of the Advisory Committee on Administrative and Budgetary Questions,

I

ACTUARIAL SITUATION OF THE UNITED NATIONS JOINT STAFF PENSION FUND

Recalling section I of its resolution 44/199 of 21 December 1989, in which it approved measures to restore the actuarial balance of the Fund over the long term,

1. Takes note with satisfaction of the significant reduction in the actuarial imbalance from 3.71 to 0.57 per cent of pensionable remuneration, reflected in the valuation of the Fund as at 31 December 1990;

2. Takes note of the decision of the United Nations Joint Staff Pension Board to retain the current 6.5 per cent interest rate for lump-sum commutations, and of its intention to review that rate in 1993, in the light of the results of the actuarial valuation of the Fund as at 31 December 1992;

3. Takes note of the observations of the Board concerning the maximum number of years of creditable contributory service in the Fund, in paragraphs 40 to 53 of its report, a/ and of its intention to review this matter again in 1993 in the light of the results of the actuarial valuation of the Fund as at 31 December 1992;

II

PENSIONABLE REMUNERATION OF STAFF IN THE GENERAL SERVICE AND OTHER LOCALLY RECRUITED CATEGORIES

[Paragraphs to be formulated on the basis of the General Assembly's consideration of the relevant portions of the respective reports of the Board *a*/ and of the International Civil Service Commission. *b*/]

III

PENSIONABLE REMUNERATION OF UNGRADED OFFICIALS

[Paragraphs to be formulated on the basis of the General Assembly's consideration of the relevant portions of the respective reports of the Board *a*/ and of the International Civil Service Commission. *b*/]

IV

CHANGES IN THE PENSION ADJUSTMENT SYSTEM

Recalling its request in section IV, paragraph 5, of resolution 45/242 of 21 December 1990, and reaffirmed in paragraph 5 of resolution 45/268 of 28 June 1991, that the United Nations Joint Staff Pension Board give priority to the development of a long-term approach to the determination of initial local currency pensions,

Recalling further section IV, paragraph 6, of its resolution 45/242, in which it invited the governing bodies of the member organizations of the Fund to refrain from seeking to establish additional pension entitlements for their staff, as well as paragraph 6 of resolution 45/268, in which it reiterated this position,

1. *Takes note* of section III.F of the report of the United Nations Joint Staff Pension Board *a*/ on the pension adjustment system, in particular on the longer-term modifications of that system considered by the Board for determining the initial local currency pensions, in the light of the expiration on 31 March 1992 of the transitional measure approved by the General Assembly in its resolution 45/242;

2. *Takes note also* of the observations of the Board, in paragraphs 180 and 181 of its report, on the implications of the resolution adopted by the Administrative Council of the International Telecommunication Union on a Pension Purchasing Power Protection Insurance Plan for the staff of the International Telecommunication Union;

3. *Approves* the longer-term modification of the pension adjustment system and its effective dates, as recommended by the Board in paragraphs 175 and 176 of its report *a*/ and the consequential changes in the pension adjustment system, as set out in annex XVIII of the report of the Board;

V

COMPOSITION OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

1. Takes note of the observations of the United Nations Joint Staff Pension Board, in section III.G of its report, a/ on the composition of the Board and on the periodicity of its regular sessions;

2. Concurs with the recommendation that no change be made in the composition of the Board, and requests the Board to keep this matter under review and to submit a further report thereon to the General Assembly at its fiftieth session;

3. Takes note of the decision of the Board to hold its regular sessions henceforth on a biennial basis;

VI

AMENDMENT TO THE REGULATIONS OF THE UNITED NATIONS JOINT STAFF PENSION FUND

Approves, with effect from 1 January 1992, an amendment to article 14 of the Regulations of the United Nations Staff Pension Fund, as set out in annex XVII of the report of the United Nations Joint Staff Pension Board, a/ to provide for reporting by the Board to the General Assembly once every two years, rather than annually, in the light of the decision of the Board to hold its regular sessions henceforth on a biennial basis;

VII

EMERGENCY FUND

Authorizes the United Nations Joint Staff Pension Fund to supplement the voluntary contributions to the Emergency Fund, for the biennium 1992-1993, by an amount not exceeding 200,000 United States dollars;

VIII

ADMINISTRATIVE EXPENSES

Approves expenses, chargeable directly to the United Nations Joint Staff Pension Fund, totalling $40,674,300 (net) for the biennium 1992-1993, and an increase in expenses of $2,116,100 (net) for the biennium 1990-1991, for the administration of the Fund;

IX

OTHER MATTERS

Takes note of the other matters contained in the report of the United Nations Joint Staff Pension Board; a/

X

INVESTMENTS OF THE UNITED NATIONS JOINT STAFF PENSION FUND

1. *Takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund; *c*/

2. *Reiterates* its request to Member States that do not grant tax exemption to the Fund's investments to do so as soon as possible.

Notes

a/ *Official Records of the General Assembly, Forty-sixth Session, Supplement No. 9* (A/46/9).

b/ Ibid., *Supplement No. 30* (A/46/30).

c/ A/C.5/46/15.

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